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The Commercial and FINANCIAL CHRONICLE

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National Security Traders Ass'n Hold Their Tenth Annual Meeting

Reelect Wm. Perry Brown President For 1943-44

23 Local Groups Represented In Chicago

Members of the National Security Traders Association, Inc., at the closing session of their tenth annual meeting, held at the Palmer House in Chicago, reelected Wm. Perry Brown, Newman, Brown & Co., Inc., of New Orleans, as President for the 1943-1944 term.

They also voted a second term for Edward H. Welch, Sincere and Company, Chicago, as Secretary.

Other new officers elected include B. Winthrop Pizzini, B. W. Pizzini & Co., New York City, First Vice-President; Jerome F. Tegeler, Dempsey, Tegeler & Co., St. Louis, Second Vice-President; and Russell M. Dotts, Bioren & Co., Philadelphia, Treasurer.

Frank P. Meyer, First of Michigan Corporation, Detroit, and Henry J. Richter, Scherck, Richter Co., St. Louis, were elected to the Executive Council. Other members of the Council are the officers, Thomas A. Akin, Akin-Lambert Co., Los Angeles, and Joseph W. Sener, Mackubin, Legg & Co., Baltimore.

Wm. Perry Brown

Representatives of 23 local security traders organizations throughout the country cooperated in sponsoring the annual meeting, which was attended by approximately three hundred members. Carl H. Chatters, Executive Director of the Municipal Finance Officers Association of the United States and Canada, addressed a special municipal meeting and his paper titled "Municipal Finance In The Post-War World" is given in full in these columns. The address by Patrick B. McGinnis on "Railroad Securities In The Post-War Era" is also given. A corporate forum was also held under the direction of Phil S. Hanna.

On page 789 of this issue of The "Financial Chronicle," which is the official publication of the National Security Traders Association, begins a special section devoted to the meeting of the NSTA.

In This Issue

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The Future Of Interest Rates

With Special Reference To The Treasury's Borrowing Policy

By BENJAMIN M. ANDERSON, Ph. D.

(Dr. Anderson is Professor of Economics at the University of California, Los Angeles. He was formerly Economist of The Chase National Bank of the City of New York. He is Consulting Economist of the Capital Research Company, Los Angeles, and is a member of the Executive Committee of the Economists' National Committee on Monetary Policy.—Editor.)

I think that it is not possible to make a definite forecast either as to the time or as to the amount of an increase in the rates of interest. Prevailing rates are absurdly low in the light of all past experience. That the government should be borrowing many tens of billions a year without raising the rates is contrary to all past experience. On the other hand, that the banks should be able to lend tens of billions a year to the government is an unprecedented phenomenon. And that the combination of demand deposits and money in circulation should more than double since 1939 without precipitating a dangerous "flight from the dollar," is a phenomenon

Benj. M. Anderson

(Continued on page 799)

"Railroad Securities In Post-War Era"

With respect to what is going to happen in the post-war era as to railroads, Patrick B. McGinnis, in addressing the National Security Traders' Association last week at its annual meeting in Chicago, undertook to indicate that current prices, first, are not too high; "second, that by the regulation of competition the deterioration in the rate structure . . . will level out, and stop; third, that the reorganization of 35 Class I carriers plus the debt reduction of the solvent carriers, will remove the financial risk by reducing fixed charges over 40% for the Class I railroads as a whole," and fourth, "that the increase in efficiency of railroading today as compared with what it was 20 years ago, has been tremendous."

Patrick B. McGinnis

Mr. McGinnis, of Pflugfelder, Bampton & Rust, of New York, stated that "I have purposely labeled this talk 'Railroad Securities in the Post-War Era' because I think it is probably the hardest subject to discuss, primarily because it involves assumptions. If we talk about anything in the post-war era we have to make certain assumptions, and of course we cannot prove them."

"Last year," said Mr. McGinnis, "and for the past several years that I have been talking about railroad securities, I have tried to avoid assumptions so that the conclusions that could be drawn could, to a certain extent, be proved.

"For example, three or four years ago we said that the new se-

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Utilities Need A War-Time Moratorium On "Death Sentence"

By OWEN ELY

The public utilities of the United States have been effectively regulated by state commissions throughout most of their history. The District of Columbia and every state except Delaware has a commission, department, board or administrator to regulate utility enterprises, although those of Florida, Iowa, Minnesota, Mississippi and South Dakota have no jurisdiction over electric and gas companies. Thus, it is estimated that utilities serving 92% of our population are subject to effective state control. One of these commissions was established in 1853, and over half of them prior to 1900. While it is difficult to summarize their regulatory powers, practically all of them have control over rates and all but a few can regulate new security issues, mergers, etc. Less than half of them, however, have authority to regulate municipal plants.


Owen Ely

While the Interstate Commerce Commission was formed in 1887, as the first Federal agency to regulate public services, the business of railroads is essentially interstate in character which is not true of utilities, since practically all operating companies do business in only one state. And while it is true that, due to interconnections between generating systems to interchange power at times of peak load and other shortages, some 20% of the total electric energy generated for public use crossed state lines in 1940, which proportion is probably higher today, practically all this power was sold at "wholesale" by one utility to another for resale to consumers. Since it hardly can be compared with the interstate shipment of freight, there is little parallel between Federal regulation of "interstate commerce" and Federal regulation of electric power transmission.

The utilities acquired an interstate "flavor," however, with the

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Coggeshall & Hicks To Admit Partners

As of Sept. 1, Coggeshall & Hicks, 111 Broadway, New York City, members of the New York Stock and Curb Exchanges, will admit Arthur A. Blaicher, Eugene S. Brooks, and Albrecht Pagenstecher, 3rd to general partnership in their firm, and Leland H. Ross, Jr., a member of the Stock Exchange, to limited partnership. All were partners in the Exchange firm of Marshall, Campbell & Co. which is dissolving on Aug. 31.

With the admission of the new partners, the firm name of Coggeshall & Hicks will be changed to Coggeshall & Hicks, Marshall, Campbell & Co.

C. F. Anderson With O'Melveny Wagenseller

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Clarence F. Anderson has become associated with O'Melveny-Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Anderson was formerly in charge of the trading department at Searl-Merrick Co. and served in a similar capacity with Banks, Huntley & Co. In the past he was manager of the corporate trading department for William R. Staats Co.

Lamb To Be Partner In Ingalls & Snyder

Dana S. Lamb will become a partner in the New York Stock Exchange firm of Ingalls & Snyder, 100 Broadway, New York City, on Sept. 1. Mr. Lamb was a partner in the firm of Marshall, Campbell & Co., which is dissolving on Aug. 31.

H. R. Kirk Inv. Co. Formed In Kansas City

(Special to The Financial Chronicle)

KANSAS CITY, MO.—H. R. Kirk has formed the H. R. Kirk Investment Company with offices in the Insurance Exchange Building to engage in a general securities business.

Associated with Mr. Kirk will be William K. Archer, formerly an investment dealer in Kansas City.

Government Policies Tend To Inflation, Sykes, Head Of Inland Steel, Declares

Sees Peace Time Operations Crippled In Event Of Increased Taxes

The assertion that "if the Government deliberately planned inflation for the post-war period, it could not do a more certain job than it is doing," was made at Seattle Aug. 20 by Wilfred Sykes, President of the Inland Steel Co. of Chicago, and Chairman of the Post-war Committee of the National Association of Manufacturers. Addressing a regional post-war conference of the NAM in co-operation with the Federated Industries of the State of Washington Mr. Sykes stated that "the way to mitigate inflation, of course, if you have turned loose too much money, is to make as much goods as you can as soon as possible."

"But," he added, "how can this be done while the Treasury is draining away the post-war earnings needed for reconversion reserves, and while the service departments of the armed forces are taking away such funds in renegotiations?" According to press accounts from Seattle, Mr. Sykes went on to say:

"Even now the Treasury is talking of increasing the corporate taxation instead of easing it. If that continues, our otherwise prompt return to peacetime operations may be crippled. We would have wage and job freezing, materials priorities, price ceilings and ration books indefinitely. And we would also have with us massive unemployment and 'made' post-war works, to increase the money seeking goods that are not there and aggravating the inflation threat.

"There can never be sufficient jobs until fair wages, fair profits and fair prices permit the making of more goods and services, still

(Continued on page 827)

Granbery, Marache To Admit Charles Greeff

Charles A. Greeff, formerly a partner in Marshall, Campbell & Co., will be admitted to partnership in Granbery, Marache & Lord, 65 Broadway, New York City, members of the New York Stock and Curb Exchanges, on Sept. 1.

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Tomorrow's Markets Walter Whyte Says—

Market decline to July lows a reflection of State Dept. and Administration "muddling through." Prices near critical levels. All "buys" are to be accompanied by "stops."

By WALTER WHYTE

There are probably many reasons why the market bogged down last week and then instead of starting up fell down on it's face again. Some of the reasons will probably be found in the results of the Quebec conference; others in our Alice - in - Wonderland foreign policy.

* * *

The market in its own inimitable fashion tries to calculate what all these developments are and acts accordingly. If its action is confusing it is no more so than the strange cartwheels which the Administration is tossing when it makes deals with enemies and gives the boot to friends. How the whole thing will come out is of course anybody's guess. But if the manouverings—or rather the lack of manouverings — of the State Department and the President remain an enigma, the same can't be said of the stock market.

* * *

For the market merely reflects and anticipates decisions and events. And what it is saying right now is that it does not like what is going on behind the scenes. But markets do not anticipate or reflect the same events more than once. They merely give the warning and it is the public which acts when the news the market foresaw becomes common knowledge.

* * *

Last week (Tuesday) when the previous column was written the market was steady but lacked any get up and go. It was obvious that it was waiting for some clue, just what, was a mystery. It was almost certain, however, that the clue would not come from any fighting front. There have already been too many war developements that the market disregarded to make any nearby war news a market factor. It therefor depended on either (1) domestic news, or, (2) the Quebec conference. So far as domestic news was concerned there was nothing new. It therefor meant that what was happening in Canada between Churchill, Roosevelt and their cabinet officers would be the big news to have an immediate bearing on the stock market price structure.

* * *

Well, the first piece of concrete news we had came over the previous week-end when Moscow blandly announced that it was pulling its Washington representative out of the country. This could have meant any number of things but to the market none of them were good. The result you saw in the action of prices Friday, Saturday and Mon-

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Gov. Dewey Declares Rights Of Labor Abridged By War Must Be Restored

Says Regimented Economy Of War Must Be Succeeded By Peacetime Economy Of Freedom Under Law

Referring to the restraints by the National Government incident to the war, to which we have all willingly submitted, Gov. Thomas E. Dewey of New York, addressing the annual convention of the State Federation of Labor at Buffalo on Aug. 23 declared that "it will take vigilance and understanding to make certain that the wartime change in the relations of government to organized labor is not carried over into peace."

Mr. Dewey further stated:

"The hard-won rights of labor which have been abridged by wartime controls are as fundamental as freedom of speech and freedom of the press. Like these other rights, they must be restored intact to a people who have temporarily yielded them in the cause of freedom.

Gov. Thos. E. Dewey

"We can be sure of this only if we make certain that the regimented economy of war is succeeded by a peacetime economy of freedom under law. We can preserve it only in an economy of full production and full employment. For we can never, as a nation, consume more than we produce."

In part, Governor Dewey also had the following to say:

"Under the pressure of war we have all willingly submitted to restraints by the National Government which are foreign to our most vital principles. In fighting total war, we have learned we must mobilize our every resource and our every moment. A multiplicity of federal regulations has been promulgated, governing hours, wages and conditions of employment.

"In large measure these regulations supersede the functions of collective bargaining. They have superseded private management, and, in some cases, have even taken plants away from their

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Some Thoughts On Post-War Prospects Of RRs.

In view of the recent tide of United Nations' victories on farflung fronts and the growing conviction that peace is so much nearer, now is a propitious time to examine the post-war prospects for the railroads, so that a future course of action with regard to presently-held or contemplated railroad bond investments may be calmly decided, according to a bulletin issued by McLaughlin, Baird & Reuss, 1 Wall Street, New York City, member of the New York Stock Exchange, and prepared by W. Wendell Reuss, partner of the firm.

In looking toward the future the bulletin states that there may be a gradual conversion from war to peace-time activity, rather than a cessation of war activity at the one time, since it is likely that the Italian-German part of the Axis will collapse first, **thereby allowing peace by stages.**

To prevent riot and revolution abroad, a large part of our Armed Forces may be kept under arms, **thereby mitigating an otherwise possibly troublesome unemployment situation after the Armistice.**

Civilian and corporate bank deposits and government bondholdings currently materially exceed those of any pre-war year, coupled with which the backlog of civilian and business needs currently is very substantial.

(In connection with the latter observation, savings of individuals alone for the year 1943 are estimated at $43,000,000,000 vs. a level of less than $10,000,000,000 annually in the years prior to 1941, besides which the Department of Commerce has hypothetically projected a first-year post-war business volume—provided certain requirements are fulfilled—of $165,000,000,000 vs. the $97,000,000,000 volume for 1940).

Among the various industries accounting for an important part of the backlog, the auto industry alone may need to manufacture as much as 20,000,000 to 25,000,000 passenger cars in the United States before the post-war de-

(Continued on page 824)

Pennsylvania RR. Equipments Offered By Halsey, Stuart & Co.

Halsey, Stuart & Co., Inc., and associates on Aug. 24 offered an issue of $5,790,000 of Pennsylvania RR. 2¼% equipment trust certificates, Series N, dated March 1, 1943, and maturing in 15 annual instalments, 1944 to 1958.

Associated with Halsey, Stuart & Co., Inc., in this offering are Central Republic Co., Inc.; Ladenburg, Thalmann & Co.; Otis & Co., Inc.; E. H. Rollins & Sons, Inc.; L. F. Rothschild & Co.; Hallgarten & Co.; Hornblower & Weeks; Hirsch, Lilienthal & Co.; R. L. Day & Co.; Schwabacher & Co.; Edward Lowber Stokes & Co.; Bioren & Co.; Dempsey-Detmer & Co.; The First Cleveland Corp.; A. E. Masten & Co.; Heller, Bruce & Co.; Walter Stokes & Co., and F. S. Yantis & Co., Inc.

The certificates maturing from 1944 through 1953 are non-callable and are priced to yield from 0.65% to 2.05%, according to maturity. The certificates maturing from 1954 to 1958, which in the event of governmental restrictions interfering with the acquisition of the equipment are redeemable at the option of the company in the period March 1, 1944 to 1946, inclusive, at the face amount and accrued interest, are offered at prices ranging from 101 to 100. The approximate yield on these to the first call date, March 1, 1944, ranges from 0.25% to 2.25% and thereafter to maturity 2.25%.

These certificates represent the balance of an aggregate issue of $12,240,000 under the road's Series N Equipment Trust, a previous issue of $6,450,000 having been sold in February this year.

The entire Series N issue of certificates is to be secured by the following new standard-gauge rolling stock, to be constructed and acquired: five electric passenger locomotives, 51 steam locomotives and tenders, 30 steam locomotive tenders, six Diesel electric switching locomotives, and 1,000 composite gondola cars of 70-ton capacity. The total estimated cost of this new equipment is not less than $15,300,000, making the equipment issue an 80% loan.

National City Interesting

The current situation in National City Bank offers attractive possibilities according to a bulletin just issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this interesting bulletin may be had upon request from Laird, Bissell & Meeds.

St. Louis, San Francisco RR. Situation Interesting

An interesting report on the reorganization plan for St. Louis, San Francisco Railroad has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this report and a special letter discussing the outlook for rail reorganization bonds may be had from the firm upon request.

Shields Sees Steel Rise Accompanying Boom In General Business

It is unreasonable to anticipate a boom in general business, without a boom in the steel industry, according to an article entitled "The War's Effect on the Steel Industry," featured in the current quarterly investment survey of Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange.

"Once numbered among the aristocracy of industrial securities," the survey states, "steel bonds and stocks lost considerable caste during the 1930s because of the industry's drab performance after 1929. In five of the ten years 1930-1939, the industry as a whole lost money, and its average earnings on invested capital for the period were a meagre 1.8%. Of the many reasons for this showing, the two most important were relatively low rates of operations and increasingly keen competition.

"With these memories still firmly in mind, investors have been inclined to consider the wartime prosperity of steel producers as something essentially temporary, and to think of post-war prospects for the group in terms of the experience during the 1930s. At the same time, however, market appraisal of many other industrial securities has been on a much more liberal basis."

The survey points out that many changes are occurring in the steel industry during the war years which will affect its earning power after peace returns. Some of these changes are unfavorable, some favorable. Careful weighing of the pertinent factors suggests no reason for undue pessimism on the industry's future prospects, the survey contends.

"It is not the purpose of this study to attempt a forecast of probable post-war steel production or of general business at that time, the two being more or less synonymous. If, however, there is any truth in the frequently heard optimistic forecasts on post-war prospects for production of automobiles and other consumers' durable goods, of railroad equipment, oil field supplies, agricultural equipment, and building materials, as well as for export trade, steel production will not lag and the chances are that earnings of most companies should be satisfactory. It is unreasonable to anticipate a boom in general business, as suggested by predictions that industrial production after the war might be around 150 on the Federal Reserve Board index, without a boom in steel as well."

The study states that the war's effects will not apply equally to all steel companies and outlines the individual prospects for ten leading companies in this group. The companies are American Rolling Mill, Bethlehem Steel, Crucible Steel, Inland Steel, Jones & Laughlin, National Steel, Republic Steel, U. S. Steel, Wheeling Steel and Youngstown Sheet & Tube.

Litvinoff Replaced As Soviet Envoy To U. S.

The Soviet Government announced on Aug. 22 that Maxim Litvinoff had been relieved of his post as Russian Ambassador to the United States and been replaced by Andrei A. Gromyko, Counselor and Charge d'Affaires of the Washington Embassy. The brief Soviet communique broadcast by the Moscow radio gave no explanation for the move.

Mr. Litvinoff returned to Russia for consultation last May but had been expected back at his post in Washington. He had served as Ambassador to the United States since December, 1941.

Attractive Possibilities

Federal Water & Gas Company offers attractive possibilities at current levels, according to an interesting circular issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular may be had from the firm upon request.

Puget Sound Looks Good

Puget Sound Power & Light Co. 5% preferred w. i., and common w. i., offer an interesting situation according to a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

The Securities Salesman's Corner

Bonus Compensation As Added Incentive During Sales Campaign

There is something about a race that is invigorating. The average salesman gets more than money out of his job, for one thing. Then, again, sometimes it's the fact that he always has to beat his own score in order to keep ahead of his job that causes many a man to stick to selling as a career. Good salesmen have a keen competitive urge—they like to meet a challenge head on—they become bored with routine.

That's why a competitive campaign is a good thing once in a while. Even though the men in your sales organization may be the most blase and sophisticated lot of securities salesmen in existence, they will enjoy getting into a friendly little scuffle among themselves to see who is the best man for a month or so, even if they won't outwardly admit it.

If you do set up a few bonuses for production, be sure every man has a fair chance. Don't put the star salesman in the same spot with the newer men, or those with the smaller production. Tie the idea up with a new customer campaign. Or grade a two months' production against what the same salesman did during a prior two month period. Put each man against his past score and see who shows the greatest percentage of improvement. In this way you make a real race out of it and the men themselves will immediately appreciate the fairness of such an arrangement.

As to prizes, make them worthwhile. If there is anything that most men enjoy it's a vacation trip, with expenses paid. We once knew a clever sales manager who told us that he never saw a salesman who was really successful who didn't get the urge to do a good job on one of these "prize contests" as soon as such a trip was announced. He said, the fact that he could go home and tell the Missus to pack her bags, that the boss was paying for their trip was enough in itself to make most salesmen get busy.

We also heard of another sales manager who used "prize contests" very advantageously to create business and build salesmen who always like to send his men to the finest tailors for their suits He said he would take a man who never wore fine clothes in his life and put him into a hundred and fifty dollar suit, and once he got the feel of wearing really good clothes, he acquired the urge to continue to wear them. A "prize contest" that will lead the salesmen to think of greater production, larger incomes and the kind of "more abundant life" which comes from intelligent, constructive work, is always worth what it costs.

Now is the time to set up your plans for business after Labor Day. A "sales contest" can always work in with any other campaign you may have in mind. Try it.

Railroad Securities

Following its spectacular gyrations in July, the preferred stock of New York, Chicago & St. Louis has recently returned to desultory trading substantially below the years' high. The speculative fever that gripped the stock for a time had been based in large measure on rumors that the management was going "to do something" about the dividend arrears which now amount to over $70 a share. These rumors persisted despite the fact that the management has consistently discouraged such hopes by stressing the necessity for making provision to meet the 1947 maturity of two underlying mortgages.

At the same time it was apparently considered possible in many quarters that the "something" to be done about clearing up dividend arrears would contemplate an offer of an exchange into Chesapeake & Ohio common. There would be sufficient logic in such a move (Chesapeake & Ohio has a controlling interest in Nickel Plate common now) to support the rumors. The most recent action of the stock, then, reflects the disappointment that nothing has materialized. While purchase at this time on hopes of a large dividend payment or on expectations of an exchange offer into Chesapeake & Ohio common appears inadvisable to say the least, the stock does have a considerable measure of appeal in its own right, and on the basis of the excellent financial progress made by the company in recent years.

Under the debt program the management has evolved it is quite possible that preferred stock holders might go through the entire war boom without any dividend return only to find themselves emerging into the post-war with a high grade preferred on which dividends could be earned and paid even in periods of depression. This would be a far sounder solution than would be arrived at by receiving dividends now but remaining uncertain as to the long term credit of the property and worried over the possible maturity problems.

The Nickel Plate management was one of the first in the railroad group to recognize the advisability of utilizing prosperity earnings to reduce its debt problems and the burden of fixed charges. While the fixed charges themselves had never been burdensome enough to threaten seriously the road's solvency, the company certainly had some uncomfortable moments over the question of debt maturities, notably the recurring problem of the unsecured 6% notes.

As a measure of what the constructive program has accomplished, fixed charges have now been reduced to an indicated level of approximately $5,600,000 compared with close to $7,800,000 supported in the depression of the early 30s. Even if the war boom in earnings is not to be prolonged for a further extended period it is expected that at least these obligatory requirements will be reduced to $5,000,000 before a readjustment period could set in. This should make the company virtually depression proof.

All maturities prior to 1947 have been cleared up and it is indicated that the 1947 maturities are now below $20,000,000. The unsecured 6% notes (extended to 1950) have been reduced below $3,000,000 and should be eliminated in the near future through operation of a strong sinking fund. There is one other $6,500,000 divisional due in 1950 but aside from that and regular serial equipments there is no other debt maturing for more than thirty years.

While railroad earnings as a whole have shown a recent tendency to fall off from the 1942 levels due to heavy tax accruals, Nickel Plate continued to report year-to-year gains even through July. The road was in the highest tax brackets last year so that comparisons this year are not so adverse as for the industry as a whole. It is expected, therefore, that net for the full year will top the $8,691,000 earned in 1942. At this rate it should not take long before the maturities of the next ten years are reduced to negligible proportions. With this background there is obviously ample basis for a constructive attitude towards the road's preferred which last year earned $24.10 a share.

Ohio Brevities

Sidney B. Congdon, President of The National City Bank of Cleveland, has just announced the appointment of **George Buffington,** former Assistant Secretary to Secretary of the Treasury Henry Morgenthau, Jr. as a **Vice-President of The National City Bank.** Mr. Buffington will take over his new post on September 14. In 1919 after serving as a Sergeant in France and later in the Army of Occupation, Mr. Buffington became associated with the Credit Department of The Central Trust Co. of Illinois in Chicago. About 20 years ago he joined Hayden, Miller and Co. of Cleveland later becoming Manager of their Columbus, Ohio office. From this position he went to Continental Illinois Bank of Chicago where he entered the Investment Department. He then became a partner of Eastman, Dillon & Co. Later he served in the War Bond Financing Division of the Treasury Department and took an active part in directing Victory Loan drives during his stay in Washington.

Heads Largest Akron Bank

E. S. Paterson, Vice-President of the National City Bank of Cleveland for the past 18 months, has resigned for the **Presidency** of the **First-Central Trust Co. of Akron,** largest bank in that district and 194th largest in the more than 14,000 banks comprising the Federal Reserve System.

Mr. Patterson, who is 48, came to Cleveland from New York City in 1921 to join General Electric and associated companies. Before becoming associated with National City, he was a Vice-President of the Cleveland Trust Co. for five years.

Mr. Patterson succeeded C. W. Enyart who resigned and plans to enter private business.

Makes First Public Offering

Smith, Barney & Co., Hornblower & Weeks and Field, Richards & Co. headed an investment banking group which offered 108,634 common shares of Hoover Co. of North Canton, O. Shares were priced at $22.50 per share. This was the first public offering of the company's stock.

The company, a manufacturer of vacuum cleaning equipment, announced it was offering to present outstanding 6% preferred holders the right to exchange them, on a share for share basis, for new 4½% preferred shares.

Doesn't Choose to Run

William S. "Bill" Jack, President of the fabulous **Jack & Heintz Co.** of Cleveland, has refused to run for Mayor of Cleveland. He rejected a move launched by a young Republican group in Cleveland to draft him.

"My first thought now is production. Maybe some day business will have to take a hand in government. We have a war to win first. I have no time for anything else," Jack declared.

Named to Capital Post

John P. Mullen, formerly publicity director of the **Chicago Mercantile Exchange** and onetime assistant educational director of the **Investment Bankers Association of America,** is the new **educational director of the Gray Iron Founders' Society of Cleveland** and will make his headquarters in the Washington office of the society.

J. K. Taggart was elected Vice-President and a Director of **Appalachian Coals, Inc.,** largest and oldest coal marketing agency in the country.

Otis & Co., Terminal Tower, Cleveland, have prepared an interesting circular on **National City Bank of Cleveland,** which they will be pleased to send upon request.

Cayne, Ralston & Co., Union Commerce Building, Cleveland, Ohio will send late information on **Hoover Co. Common** on request.

The Weil, Roth & Irving Company, Dixie Terminal Building, have prepared an interesting circular on **McCreary County, Ky. Road and Bridge Refunding 4% Bonds.** Copies of this circular may be had from the firm upon request.

Ohio Committee Named For War Loan Drive

CINCINNATI, OHIO.—Roy D. Moore, Ohio State Chairman of the War Finance Committee, announces that John J. Rowe, President of the Fifth Third Union Trust Company, Cincinnati, has been appointed chairman for the Third Area, embracing twenty-two counties of Southern Ohio. Howard H. Banker, C. J. Devine & Co., Cincinnati; J. W. Bannon, President of the Security Central National Bank, Portsmouth; W. H. J. Behm, President of the Winters National Bank and Trust Co., Dayton; Raymond F. Fletcher, The Portsmouth "Times," and J. Harry Veatch, Dayton, of the Mutual Benefit Life Insurance Co. of Newark, were appointed vice-chairmen.

Other executives of the Southern Ohio group, all of Cincinnati, are: B. J. Lazar, Federal Reserve Bank, Secretary; Gordon Reis, Seasongood & Mayer, Treasurer; W. Maxwell Fuller, W. E. Hutton & Co., Recorder; Louis L. Kaufman, Office and Supply Administrator; Charlton Wallace, Publicity Chairman.

Ohio State Bank Deposits Show Increase; Loans Drop

The report of W. L. Hart, Superintendent of Banks of Ohio, reveals that total deposits of the State banks in Ohio were $2,591,779,701 on June 30, 1943, as compared with $2,226,897,900 on Dec. 31, 1942, and $1,959,786,521 as of June 30, 1942. As of the same respective dates total holdings of U. S. Government obligations, direct and guaranteed, by the State banks in Ohio amounted to $1,375,241,944 on June 30, 1943, $975,157,233 on Dec. 31, 1942, and $697,798,400 on June 30, 1942. Finally, total loans as of such dates were as follows: $524,546,642 on June 30, 1943, $565,364,466 on Dec. 31, 1942, and $618,522,274 on June 30, 1942.

Ohio Municipal Comment

The outstanding event of the month in the Ohio Municipal market has been the sale yesterday by the State Teachers Retirement System. This fund received bids Wednesday for $3,365,000 of Ohio municipal bonds. All of the bonds mature in the years between 1943 and 1948, with most of them due 1944-47. Altogether the list included 92 blocks ranging in size from $7,000 to $320,000 par value.

Included in the offering were various issues of Akron city and school district aggregating $294,000 par value, Cleveland city and school district totaling $804,000, Cuyahoga County in the amount of $413,000 and Toledo city and school district in the amount of $363,000. Considerable interest, in Ohio at least, centered around the smaller blocks of various small school districts, many of which represent names that practically never come into the market.

It is too early to report the success of this sale, but in view of the very desirable maturities, the bonds should all be placed with little difficulty.

Supply Of Bonds Still Very Limited

Except for this offering there have been exceedingly few Ohio bonds shown in the market, despite preparations by many funds for subscription to the Third War Loan next month. Although many offerings of considerable municipals have been announced by funds throughout the country who do not need tax exempt income, and who therefore are selling municipals to provide more money with which to subscribe for government securities, nevertheless there have been remarkably few Ohios included in such offerings. This offering by the Ohio State Teachers Retirement System, because of the short maturities being sold, will be of little help in alleviating the shortage of bonds in this state, and what help it is promises to be of only a very temporary nature.

So far in the month of August, new issues sold by Ohio subdivisions have totaled only $130,580, with $88,900 scheduled to be sold next week. Early this month Muskingum County sold $45,000 bonds due 1944-48 as 1's at 100.475 to Halsey, Stuart & Co., with eight bids for 1% bonds. Port Clinton sold $21,900 of bonds due 1944-53 as 1¼'s at 100.488 to the Port Clinton National Bank, with six bids for 1¼'s. Lorain sold $59,380 of bonds due 1944-53 as 1¼'s at 100.83 to the Lorain Banking Co., a basis of 1.10% net with Braun, Bosworth & Co. submitting the second bid of 100.74 for 1¼'s, a 1.12% yield, and Halsey, Stuart & Co. the third bid of 100.54 for 1¼'s. On next Monday Shaker Heights School District will sell $10,000 due 1945-46, and on Tuesday Toledo will sell $78,900 due 1945-48.

With such a short supply and no help from institutional selling, it is no wonder that there has been no reduction in the bidding ideas for Ohios.

Banks In Ohio Are Buying Municipals

The recent report of W. L. Hart, Superintendent of Banks for Ohio, shows that deposits for state banks only in Ohio increased $364,881,801, or 16%, during the first six months of 1943. During the same period, holdings of U. S. Government securities by these

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Geo. E. Chapin Joins J. A. White & Co.

CINCINNATI, OHIO.—J. A. White & Company, Union Central Building, announce that George E. Chapin is now associated with their firm. Mr. Chapin started in the municipal bond business in 1914 with Sidney Spitzer & Co., Toledo, Ohio. Except for a period of 13 months when he was in the Army in World War I, he was continuously associated with this firm and its successors, Stranahan, Harris & Oatis and Stranahan, Harris & Co., until December, 1940, representing them as salesman in various parts of Ohio from 1920 to 1940. More recently he has represented Ryan, Sutherland & Co., in eastern Ohio.

Mr. Chapin is the author of various works dealing with the municipal bond business. He is the originator of the decimal system of interpolation of bond values.

Celebrates Decade

CLEVELAND, O.—Gillis, Russell & Co., Union Commerce Building, members of the Cleveland Stock Exchange, on Aug. 23 celebrated the tenth anniversary of the founding of their firm.

Municipal News & Notes

Tax relief legislation enacted for the benefit of servicemen by the various states this year includes a substantial number of measures covering the property tax field, the Federation of Tax Administrators reported August 10.

State legislatures granted real and personal property tax exemptions up to a certain amount or on certain types of property; frequently deferred collection of all taxes until after the war without interest or penalty; extended homestead exemptions, in many cases relaxing the residence requirement; and granted special protection to tax-forfeited land owned by servicemen or their families.

Property tax exemptions of $1,000 were granted servicemen this year by Connecticut, Idaho and Nevada, while New Hampshire allowed exemptions of $3,000 for totally disabled veterans, their wives or widows. New Hampshire in 1941 granted servicemen exemptions of $1,000 on their property provided the taxable property was not worth more than $5,000.

Mississippi made tax exempt the homes owned by men in the armed services, even though the homes were rented to someone else; Maine exmpted the estates of war veterans from all property taxes; Massachusetts exempted temporarily certain types of real property belonging to resident servicemen and their wives.

Michigan, North Dakota, Ohio, Texas, Virginia and Kentucky were among the states deferring collection of property taxes owed by servicemen until after the war, at the same time releasing servicemen from penalties and interest on the taxes. Illinois and Iowa legislation in effect gave servicemen the same relief.

To protect servicemen's properties receiving homestead exemptions several states, including Louisiana and Oklahoma, made service with the armed forces equivalent to residence on land receiving such exemptions. In this connection, Michigan extended to veterans of this war homestead exemptions granted veterans of World War I, a step taken by other states this year and in 1941 and 1942.

Several states took further steps to protect servicemen from tax delinquency proceeding against their property. Arizona, for example, exempted property owned by servicemen at the time of their induction from sale for delinquency until one year after the war.

Under a new Minnesota law, property owned by servicemen which normally would be forfeited to the state because of tax delinquency will be withheld from sale or conveyance; upon payment of delinquent taxes after the war the forfeiture will be cancelled. Also, Minnesota servicemen who default or can't pay installments on tax-forfeited land they are buying from the state may retain the property by filing an affidavit within 90 days after induction, and the contract will remain in force until six months after discharge of the servicemen from the service.

Similar legislation extending relief to members of the armed forces in regard to the income tax field has likewise been enacted by the States, the Federation reports. The two types of measures most frequently enacted were given as follows:

1—Exemption of servicemen's pay and allowances from personal income taxes, a step taken by at least a dozen states. Income from other sources, however, was generally not exempted. Arkansas, California, Indiana, New York, North Carolina, North Dakota and Wisconsin exempted all pay for service in the armed forces, with

North Dakota also exempting pay of those in the merchant marine.

Minnesota and Oregon however, attached limitations of $2,000 and $3,000 respectively to income tax exemptions for service pay. Maryland exempted from her gross income tax all amounts received as a pension, annuity or other allowances for personal injuries or sickness resulting from military service.

2—Extension of time for filing of income tax returns for income other than service pay and allowances, usually for a period of six months after discharge or the end of the war. At least eight states—Arizona, California, Idaho, Indiana, Minnesota, New Mexico, North Dakota and Wisconsin—granted such six-months extensions. The extension was for three months in Maryland, however, and for 12 months in Wisconsin. Wisconsin, the federation noted, granted the extension to Red Cross and government officials traveling abroad.

In several states, including Montana and Vermont, collection of income taxes was deferred if the taxpayer's ability to pay is "impaired" or "materially affected" by the service.

For most of the states, interest and penalties will be forgiven on delayed income tax payments, though Arizona will charge 6% interest per year.

Service To Taxpayers

Since the new tax law now requires all investors to make quarterly payments based on estimates of annual income, with the risk of penalties for inaccurate estimates, it is essential that investors include accurate estimates of investment income with income from other sources. Buckley Brothers, 1529 Walnut St., Philadelphia, and 63 Wall St., New York members of the New York and Philadelphia Stock Exchanges, are offering a new service to investors, whereby if they are provided with a complete list cf investments, an analysis of the quarterly income expectations therefrom will be placed in the hands of the investor; a copy will be retained by the firm so that when, as, or if, changes occur they will be recorded and the investor will be notified in time to compile the quarterly reports to the government. Further information on this service may be obtained from Buckley Brothers.

Situation Of Interest

Road and Bridge Refunding 4% bonds of McCreary County, Ky., dated Oct. 1, 1942, offer an interesting situation as tax exempt securities, according to a memorandum issued by the Weil, Roth & Irving Company, Dixie Terminal Building, Cincinnati, O., members of the Cincinnati Stock Exchange. Copies of this memorandum may be had from the firm upon request.

Ohio Municipal Comment

(Continued from page 786)

state banks increased $400,084,711, or 41%. Holdings of municipal bonds increased only $2,542,624, or 3%. It is interesting to note that during the last half of 1942, holdings of municipals by state banks in Ohio declined $3,471,248, so that total holdings of such bonds by these banks on June 30, 1943 were almost a million dollars less than a year earlier. Apparently, the banks have been buying municipals in greater volume this year, but yet not enough to offset their losses of such bonds during the latter half of 1942.

Anent bank deposits, it is quite interesting to note a report of the trend of demand deposits of country banks recently released by the Bureau of Agricultural Economics. This report is based upon data reported by member banks of the Federal Reserve System located in places of less than 15,000 population. The report shows that these demand deposits in country banks in the seven corn belt states, in which Ohio is included, had risen to 309% of what such deposits averaged in the years 1924-29. A year earlier such deposits were 203% of this base.

Bond Sales Unaffected By Pay-Go Taxes

Secretary of the Treasury Morgenthau was reported on Aug. 19 to have said that the new pay-as-you-go taxes have not interfered with purchases of war bonds and to have expressed satisfaction with bond sales.

In July, the first full month of the withholding tax program, it is reported that bond redemptions totaled $138,243,000. This was slightly under redemptions in June, a quarterly tax payment month, when the aggregate was approximately $141,000,000.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Joseph Witterman withdrew from partnership in the firm of A. G. Edwards & Sons, as of Aug. 13.

John J. Anglim retired from partnership in W. E. Hutton & Co., New York City, on Aug. 16.

John F. Clark retired from partnership in Newburger & Hano on Aug. 19. Mr. Clark made his headquarters at the firm's New York office.

York Corp. Attractive

Common stock of the York Corporation offers an interesting situation, according to a memorandum issued by Peltason, Tenenbaum, Inc., Landreth Building, St. Louis, Mo. Copies of this memorandum may be had upon request from Peltason, Tenenbaum, Inc.

National Security Traders Association

OFFICERS

Secretary

Edward H. Welch

1st Vice-President

B. Winthrop Pizzini

President

Wm. Perry Brown

2nd Vice-President

Jerome F. Tegeler

Treasurer

Russell M. Dotts

EXECUTIVE COUNCIL

The Executive Council is composed of the officers and the following members

Thomas A. Akin

Frank P. Meyer

Henry J. Richter

Joseph W. Sener

COMMITTEE ON ARRANGEMENTS

Leo J. Doyle

L. A. Higgins

Henri P. Pulver

Chairman

Edward H. Welch

Ralph G. Randall

Richard W. Simmons

T. M. Wakeley

Greetings From N S T A Officials Past and Present

JOSEPH W. SENER

A much brighter atmosphere prevailed at the annual meeting of the National Security Traders Association than was prevalent in 1942. Not only have our boys in

Joseph W. Sener

the armed forces turned the tide but confidence in final victory and in the continuance of our system of private enterprise has had its effect in higher and more active securities markets.

We all hope it will not be long before we hold our "Victory Meeting" when we will welcome back our members who are serving their country in all parts of the world. We can support them best by helping in any way we can in the "Third War Loan Campaign" next month.

Joseph W. Sener

EDWARD D. JONES

In the Middlewest conditions are prosperous, crops are good, railroads are operating at capacity, and industry is running night and day. Money is easy and plentiful.

Edward D. Jones

The security business has been good and the immediate future appears promising.

Edward D. Jones

WILLIS M. SUMMERS

It is a pleasant privilege as a Past President of the National Security Traders Association, to be able publicly to commend the present Officers for the work

Willis M. Summers

which they have done, and felicitate their successors elected at the annual meeting. I have had a deep interest in NSTA since its inception in 1934, and it is very gratifying to observe how the dual activities of social contacts and serious business have both been accomplished in a successful manner.

With a minimum of fanfare, NSTA has been active in all matters which affect over-the-counter trading, and under the leadership of W. Perry Brown, and his official family selected for next year, I feel confident that this work will continue to the benefit of the trading fraternity.

Willis M. Summers

J. GENTRY DAGGY

From my own past pleasant knowledge and experience, I am certain that what the Chicago

J. Gentry Daggy

meeting lacked in numbers, as contrasted with pre war years when a regular convention was held was fully compensated for by the enthusiasm and sincerity of those attending. Moreover, those "at the front" may be assured of the interest and support of the many of us who remain confined to quarters.

In my opinion, the ten-year history of the National Security Traders Association stands as a testimonial to the organization's virility and usefulness of purpose. Founded on sound basic principles and administered by able officers whose integrity was always above question, the NSTA has progressively enlarged its scope and influence. Perhaps the one outstanding and continuing contribution which the NSTA has made to the betterment of the business is its ceaseless campaign toward educating crack-pot proposals into oblivion. Well-armed with factual knowledge and fortified with a high sense of responsibility, we stand ready to accept the challenge of whatever the future brings.

J. Gentry Daggy

HENRY J. ARNOLD

It is gratifying to all of us to note that, in spite of adversity

Henry J. Arnold

which has plagued our industry since the National Security Traders Association was conceived, that our staunch-hearted membership has overcome numerous obstacles, and today stands as an institution for which it was designed: the public good. We can all be proud that through cooperation our membership has fostered a major contribution to our industry.

It is natural to assume that this spirit will be furthered under the incoming administration and that we can look forward to continued progress in our constant effort to maitain the high standards of our profession.

Henry J. Arnold

WALTER W. CRUTTENDEN

It was my privilege to address the first group of Traders at their organization meeting in Chicago in 1934. The majority of this original group of NSTA are still active in its affairs and many of them attended the current convention. Congratulations are due them for the spirit that they generated and to those who have since carried on so well. I ex-

W. W. Cruttenden

tend my sincerest good wishes to our members and my best wishes to the new officers for a successful administration.

Walter W. Cruttenden

EARL M. SCANLAN

Being Treasurer of the National Security Traders Association for the past year, has given me an opportunity to appreciate the work which the Association is doing not only for its members, but for the Industry as a whole.

If more of us were acquainted with the efforts which are expended for the good of the Industry, I feel confident that we would have members from every firm in the United States.

Working with Perry Brown and the other officers of the Organization this past year, has been one of the greatest pleasures I have

Earl M. Scanlan

had. I want to take this opportunity of welcoming the new officers and wishing them, along with our Organization, the very best of success and good luck for the coming year.

Earl M. Scanlan

B. WINTHROP PIZZINI

It was with a great deal of pleasure that I learned of my selection as an officer of the NSTA for the coming year. Our Association has become an impor-

B. Winthrop Pizzini

tant factor in the security business, representing as it does the combined thoughts of its many members located throughout our country.

Your officers have given unstintingly of their time and effort in your service. It is my sincere wish to be able to live up to the splendid example which they have so ably set.

B. Winthrop Pizzini.

JEROME F. TEGELER

I thank the members of the National Security Traders Association for the privilege and honor of serving them as Second Vice President for the ensuing year.

A great amount of work has been accomplished by Perry Brown and his associate officers during the past year. The re-

Jerome F. Tegeler

nomination of Perry Brown for President during the coming year in my opinion is a selection most wisely made for the benefit of the NSTA, and I am sure that the

(Continued on page 794)

Presidential Greetings

Wm. Perry Brown

Patriotically the Tenth Annual Convention of the National Security Traders Association was cancelled and only the Annual Business Meetings and election of Officers were held at the Palmer House, Chicago, on August 20-21. Members in attendance, in the spirit of cooperation in the transportation problems of today, combined other business matters by making their travel to Chicago serve a multitude of purposes.

I can more fully understand the responsibilities of the office of President upon being elected for another term, because of the problems which came before me during my previous term of office. I was most fortunate in having an official family of excellent co-workers who did more than their part, aided by Chairmen and Committeemen with foresight and energy. Again, I can truly say that I have with me for the coming term a group of Officers and Members of the Executive Council which can measure up to every qualification successfully to carry on the business administration of the Association. I am pleased to speak for these gentlemen and to say that your confidence will be upheld and that the Members of the NSTA will receive the best possible representation on all matters affecting the membership and the securities industry.

As long as this war continues the members of the National Security Traders Association have pledged their 100% support in the war effort. In the forthcoming Treasury Department drive the members of the NSTA will be found devoting the major part of their time to doing their part in bringing about the sure-to-come success so justly deserved. Many of our members are in the armed forces and it is our job unstintingly to give our all towards ultimate victory and to have awaiting for these men and women of our armed forces the America of freedom we cherish.

Loyalty to the National Security Traders Association by its members is more important today than ever before, likewise unity of purpose and the fullest possible cooperation is most necessary between the various Associations of the securities business. Much important business will come before the NSTA in 1943-44 and with the assistance of the Membership the Association will go forward to an even more important place than it holds at the present time in representing the securities industry.

Wm. Perry Brown, President,
National Security Traders
Association, Inc.

The Advertising Committee Thanks You

In behalf of the National Officers and our entire membership, may I sincerely express a most grateful thanks to all our advertisers and boosters for their contribution in making this special N. S. T. A. news edition of the Commercial and Financial Chronicle the most successful number published since the inauguration of the convention and news issues back in 1938.

The National Advertising Committee has been represented in over half of our affiliates and the results obtained are more than gratifying. This demonstration proves the possibilities for greater cooperation with your local and national advertising committees in giving the necessary financial support to your National Officers who represent us in various and broadening angles of our industry.

To our fellow member, Herbert Seibert, his solicitors and the entire staff of the Commercial and Financial Chronicle, may I extend in behalf of our membership our expression of sincere appreciation for the untiring and unlimited cooperation the National

Harold B. Smith

Advertising Committee received this year.

May the post-war era bring back our Convention Year-Book.

Harold B. Smith,
1942-1943 NSTA
Advertising Chairman.

Municipal Finance In The Post-War World

By CARL H. CHATTERS,
Executive Director Municipal Finance Officers Association of the United States and Canada

Municipal finance in the immediate post-war period is likely to be greatly influenced by a tremendous rush to get on the public payrolls which will be felt most in Federal and State Governments but considerably in local governments, Carl H. Chatters, Executive Director, Municipal Finance Officers Association of the United States and Canada, told members of the National Security Traders Association, Inc., at the opening of their annual meeting last week in the Palmer House, Chicago.

Reviewing the background of municipal finance as it may be taken as a guide for the future, Mr. Chatters declared that the revenue system used by municipal and local governments has remained substantially unchanged since earliest days although it was designed primarily for an agricultural economy when most wealth was in the form of real estate and other tangibles.

Carl H. Chatters

There is a growing resentment all over the country, he said, against the local property tax, the increasing volume of tax-exempt property, including that publicly owned, and the decay of the centers of our large cities.

"The property tax is resented more and more by owners of real estate because the tax does not reflect the ability to pay," he said.

"No longer can owners feel that increasing property values justify them in carrying investment real estate at a loss."

But the greatest menace to public finance and private property values of large cities lies in the utter decay of their central areas accompanied by falling property values and the movement of people to suburbs, he pointed out.

Turning to post-war possibilities, Mr. Chatters continued:

"If price inflation follows the war and our present local tax structure remains, there may be some financial difficulties because salaries and wages of public employees would necessarily increase as would commodity prices. The amount left for debt service would be too small—as it was from 1930 to 1933—and there would be defaults and delays. Further, the Federal debt would be hard to pay if levels of wages, prices and taxation were lowered. We should not be naive enough to think that public works alone will solve the unemployment problem in the post-war era."

Mr. Chatters told the security traders he doesn't expect a flood of municipal bond issues comparable to pre-war levels "unless the Government creates a market as it did through PWA and RFC." He said he personally hopes to see a change in the revenue system so that industrial cities and all large cities may levy revenues responsive to local community income instead of revenues based primarily on capital values.

"Some American cities are headed for trouble if there is any substantial decline in business. These cities have been refunding instead of paying off debts and they may have peak maturities of bonds coming at unfortunate times." He added that in the post-war period he expects to see a further development of revenue bonds and that there also may be a tendency to make municipal bonds payable from all municipal revenues instead of being payable solely from ad valorem taxes. He said he was in favor of the change.

Mr. Chatters' address in full text follows:

I. Introduction

You have asked me to gaze into the crystal ball and tell you what it protends for municipal finance in the years immediately following the war. But the ball which seemed crystal becomes cloudy when you inspect it too closely. So let us look away from the ball to the clear plate glass windows of the past and the slightly befogged windows of the present. Perhaps this view of the past and present will sharpen our eyesight for a glimpse at the future.

Municipal finances may now be studied intelligently only when related to the entire economy of the country and to the finances of other governmental agencies, Federal, State, and local. But you cannot look at financial data alone when you want to forecast the trend of municipal finance. The vast social and economic changes in our country have been the principal factors in amending the nature and scope of local government financial problems — and these social and economic movements may have even more influence in the future than they have had in the past. Let me name just three things to illustrate. The greatest expenditures of local government are due to the philosophy that eveyone must have as much education as possible, to the invention of the automobile and to the modern ideas with respect to care for the ill, the hungry, the unemployed and the aged. What a transformation of local expenditures has taken place because of this one physical contrivance and these two social ideas!

Now look out the plate glass window at the past.

II. The Background of the Past

Fifteen years of growing federal relationships to municipal financial affairs, vastly increased state revenues, and superficially improved local finances, are just behind us.

The above is illustrated by the fact that expenditures from federal emergency relief appropriations from April 8, 1935, to June 30, 1942, amounted to $15,000,000,000, of which $1,000,000,000 was spent in Illinois and $1,750,000,000 in New York. Think of the tremendous effect on local government of such expenditures when it is realized that most of the expenditures were in the form of payroll.

A hodge-podge of governmental activity and governmental revenue sources has developed between the federal, state and local levels with little relationship between the unit of government assigned to carry out an activity, and its ability to raise revenue to do so. Whether it is appropriate for a given unit of government to do a job or collect or receive a certain type of revenue is seldom considered on a rational basis. Formerly each activity was rather definitely assigned to one level of government, while at the present time many broad functions of government are carried on by all levels of government and many revenue sources formerly collected by only one type of government are now collected by several.

The revenue system used by the municipal and local governments today has continued substantially unchanged although it was designed for an agricultural economy and for an economy where wealth was in the form of tangible property; real estate as well as other goods.

In the more immediate past, municipal finance has seen a decade of improved tax collections, decreasing state and local debts, but there has always been a feeling that a crisis is just at hand. Most cities have improved their financial position since 1932 but there are many others which are at least as vulnerable to economic change as they were in 1929.

To illustrate. In 150 cities over 50,000 population median year-end tax delinquency was

26.35% in 1933 but was reduced to 6.0% in 1942. Accumulated tax delinquency (median) for 128 cities was reduced from 48.4% of the current levy in 1935 to 25.5% in 1942. Local debt has remained fairly constant for ten years between $16,300,000,000 and $16,800,000,000, but has been declining. State debt has fluctuated between $2,900,000,000 and $3,200,000,000 and is now decreasing. New York City alone had a net debt of $2,385,111,000 on June 30, 1943, which was more than double the national debt in 1902.

The increase of state and local expenditures between 1932 and 1941 is significant. Thinking casually we might have assumed that there would have been a decrease during this period. As a matter of fact, local expenditures, exclusive of debt retirement, increased from $6,319,000,000 in 1932 to $6,783,000,000 in 1941. The increases were represented by overhead costs, protection, schools, libraries, recreation and welfare. The decreases were in expenditures for highways, health, and sanitation. But the most significant increase was in the amount of state expenditures, which in 1932, exclusive of debt retirement, amounted to $2,495,000,000 and by 1941 had increased to $5,375,000,000. Practically all expenditures for state purposes increased but the greatest proportionate increases were for protection, welfare, schools, and fiscal aid.

Rapid extension of local retirement or pension systems has taken place in the last five years stimulated by the Federal Social Security Act in which public employes do not participate. Nor must we overlook the entry of public employes into the ranks of union workers. Without intending for a moment to criticize, it is correct to say it will have a bearing on municipal expenditures.

As a tribute to local governments: They have a record of payment of their debts which cannot be equalled or approached by any general class of security except the obligations of the United States Government. In spite of a few refundings and scalings of debt, and in spite of some delays in paying principal or interest, the municipal bondholders in the aggregate suffered negligible losses. And there is every reason to believe that the **present** outstanding municipal obligations will have at least as good a record in the years following the war.

A generation of continuing technical improvements lies behind us. There have been beneficial changes in financial planning and procedures, in accounting standards and practices, in municipal debt administration. Municipal financial reports, while leaving much to be desired, are vastly better than they were from the standpoint of content, reliability and appearance. Budgeting methods have been developed and manuals of procedure are becoming common. Perhaps the most significant and apparent improvement has been the higher level of ability and knowledge of the individual municipal finance officer. If this picture of improvements seems too rosy, just look carefully at the record of fifteen or twenty years ago.

Where has this record of change brought us?

III. Present Conditions That Determine The Future

What are the important factors in the present economic, social and governmental structure that tend to influence municipal finance in future years? Here we must be more specific than we were in looking back.

Several general economic elements affect municipal securities. The volume of federal debt and the extension of federal income taxes must necessarily exert some pressure on local debt and on the ability of the individual to meet his local taxes. The federal debt, of course, is related to the monetary system, world or national, while state and municipal debt is more like private debt.

Recurring efforts to tax the income from municipal securities periodically upsets the market and is a conscious factor in large scale municipal financing. The desire of some federal agencies or individual employes to control municipal borrowing is at least annoying. Prevailing low interest rates are giving states and municipalities the opportunity to refund existing debt at lower rates and also permit trust, sinking and investment funds to take a substantial profit on holdings of municipal securities.

The future expenditures of municipalities will be influenced by the desire of people for leisure and a better place to live. If the social philosophy and economic consequences of these desires come about, the finances of all levels of government will be changed.

Directly in the field of municipal finance there are several important factors including the development of public "authorities" and the more extended use of revenue bonds. Care must be exercised to prevent abuses of either. The volume of new issues of municipal bonds has greatly decreased as you know. Sales of new issues in the first six months of 1943 were about a quarter of a billion dollars compared with a ten-year average of more than twice that amount for the same period. But taking the "Bond Buyer's" figures for June, 1943, alone, total issues of $58,000,000 included $50,000,000 of refunding bonds, leaving a mere handful of new and original issues.

The current financial position of municipalities is generally strong. That is to say, short term borrowings are unusually low, tax collections are good, and operating budgets are balanced. If this condition continues, municipalities will enter the post-war period stronger than they entered the depression period following 1929. About twenty states now have laws permitting municipalities to set up reserves for post-war uses.

The effect of war employment and war expenditures has been decidedly "spotty" insofar as municipal finance is concerned. Conditions have been created in some areas that will be difficult to meet when war industry and the armed forces demobilize. Some areas have been greatly expanded in population, private payroll, and public services. Other communities, many rural and semi-industrial, have remained unchanged.

Growing resentment against the local property tax, the increasing volume of tax exempt property, including that publicly owned, and the deteriorating of the centers of our large cities—these three elements, all centering around real property, present the greatest questions at the local level. The property tax is resented more and more by owners of real estate because the tax does not reflect the ability to pay. No longer can owners feel that increasing property values justify them in carrying investment real estate at a loss. Tax exempt property has increased in volume by federal purchase of land, local acquisitions by tax foreclosure, and liberal interpretation of exemptions for religious, charitable and educational purposes. To illustrate, the state tax commissioner of New Jersey, when directed by the Legislature to investigate in 1938, found exempt property in that state alone valued at more than $1,000,000,000. The problem is not lessened by the fact that three-fourths of this property is publicly owned for the local governments have to perform many services required by state and federal properties.

But the greatest menace to the public finance and private property values of large cities lies in the utter decay of their central areas, accompanied by falling property values and the movement of people to the suburbs. In the city of Milwaukee, according to Thomas A. Byrne, tax commissioner, assessed values of property, from 1930 to 1942, declined 16% or $141,574,110. Of this loss 58.4% or $82,171,010, was in the downtown area alone. Milwaukee is no worse off than scores of other cities. There are, in the United States, 140 metropolitan areas, each having one or more cities of 50,000 population or over. These cities contain more than half the people in continental United States. Between 1930 and 1940 the population in the central city in 34 of these 140 areas **decreased** while the population in the surrounding area increased. In two cases both the central city and the surrounding area declined in population. In 88 more cases, the area outside the central city or cities grew faster than the central city. When individuals and industries desert the center of a city it looks pretty bare. Values fall, rents decline, buildings deteriorate, and slums develop. The remedy requires the utmost in public and private cooperation in planning and financing. At the moment this seems to present the major problem for the municipal authorities and property owners in areas representing half of our population.

The assessed valuation of properties has not been increasing during the period of recovery. As a matter of fact, the downward trend has continued. This is significant at a time when prices and wages are going up. The assessed valuation of property in the United States in 1932 was $163,000,000,000, but in 1941 this had declined to $144,000,000,000. Even now, two years later, there are indications that assessed valuations will either remain about constant or continue downward. Bear this in mind when considering the property tax as the chief source of municipal revenue.

IV. Municipal Finance—Post-war

War or no war, many conditions have been accruing which inevitably would have changed municipal finance. Some of these conditions have just been enumerated, others will follow. The impending post-war conditions or events which, in my judgment, may come about, are divided here into three groups: those that just seem to be true and are labeled neither desirable or undesirable; those that are undesirable; and finally those that appear desirable socially or in the interest of better municipal finance. Before drawing the post-war picture, may I suggest that the problems of municipal finance, as stated by Dr. C. E. Merriam, hinge quite generally around the simple question, "What are urban functions under modern conditions?" If we were free to answer that question we could foretell the future with greater accuracy. For when new tasks are added to our municipalities, the need for financing becomes greater and the administrative machinery more complex. What is the job of a municipal government now? What should cities do after the war?

Here are some plain conclusions. If price inflation follows the war, and our present local tax structure remains, there may be some financial difficulties because salaries and wages of public employes would necessarily increase, as would commodity prices. The amount left for debt service would be too small, as it was from 1930 to 1933, and there would be some defaults and delays. You also may expect continuing high levels of prices, wages and taxation. Government control of business will continue, not because you nor I want it, but because such controls may be necessary to prevent a flash boom followed by depression. Furthermore, the Federal debt would be hard to pay if levels of wages, prices and taxation were lowered. Nor should we be naive enough to think that public works alone will solve the employment problem in the post-war era.

Will post-war public works bring a flood of new municipal bond issues? Yes, some, but the volume will not meet pre-war levels or pre-depression levels unless the Government creates a market as it did through PWA and the RFC. The volume of new issues will be restricted by the use of reserves that have been created and by the more general adoption of pay-as-you-go policies of financing. There will of course, be a repetition of the old pressures for over-expansion of facilities and expenditures in the form of streets and sewers, air transport and welfare. Again much depends on whether or not the national government extends credit or aid, directly or indirectly, through such agencies as the RFC, PWA, or HOLC.

Following the war there is bound to be a tremendous expansion of large scale housing projects, both public and private. The effect on local finance will depend on the policies with respect to subsidies. Very great expansion of public housing, on a tax exempt basis, would throw a further disproportionate share of the cost of local government on the remaining taxable property. A sound policy for housing finance should be determined now.

Perhaps there will be no problems of municipal finance. Unless there is a decided trend away from centralization of revenues in the Federal and State governments, and unless local governments retain their vital activities, there will be no problems for the local governments for they will have neither revenues nor expenditures.

Certainly there will be a realignment of activities or functions between the different levels and types of government. Accompanying this, there should be, and I hope there may be, a change in the local revenue system so that the industrial cities and all the large cities, may levy revenues responsive to local community income instead of revenues based primarily on capital values. This may mean wage taxes such as Philadelphia has; it may require regional sales taxes; or it may mean taxation of tenants or occupants.

Some troubles are bound to appear in the post-war era. There will be a great reshifting of population; either that or the war boom cities will find themselves with great masses of unemployed. Perhaps both will happen. What will the people do who have flocked to Norfolk, San Diego, Portland, and Detroit? That will be determined partly by individual whims and partly by plans of industry for conversion. War industry cities may be more sound

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Municipal Finance In The Post-War World

(Continued from page 793)

after the war than they were before, or they may be deluged by unemployed.

Some cities will be in trouble if there is any substantial decline in business. These cities have been refunding instead of paying off debt and they may have peak maturities of bonds coming at unfortunate times. The number of such cities is not great but it includes some rather large and substantial communities.

While I do not mean to imply that they will be in trouble, it does seem that the largest cities—maybe our 50 or 75 largest—will be more vulnerable than the smaller places in the period after the war, particularly in the transition period. This will be due to the accumulated decay in the larger cities and to greater hazards of unemployment in the larger cities.

Municipal finance in the post-war years will be greatly affected by the tremendous pressure for employment on public payrolls. The pressure will be greater at the Federal and State levels but plentiful at the local level. The Federal Government has hundreds of thousands of civilian workers "for the duration and six months." Will they willingly go back home? Thousands of veterans will return to the public positions which they left to enter the armed forces. Will the persons who did their work be released? Other veterans will press for public jobs with "veterans' preference" under civil service laws as an entering wedge. Some Federal employes can properly return to State and local governments. (The college professors may return to their teaching!) There will be actual need for large numbers of employes to do the public construction and maintenance that has been delayed by war. Reconversion subsidies may help. And finally, the whole scheme of industry for full employment may be developed far enough to relieve all these pressures. I am trying to point out that municipal expenditures may be greatly increased by the pressure for employment. If the pressure is too great, will the increased cost be financed by borrowing or from current revenues? Anyway, you watch it.

After the war I would expect to see a further development of the use of revenue bonds. There may also be a tendency, and I think there should be, to make municipal bonds payable from all municipal revenues instead of being payable solely from ad valorem taxes.

Presently outstanding municipal debts will be paid in the post-war era as well as they have been in the depression era, probably better, because there are less bonds outstanding of the types that caused the earlier defaults. Unless revenue bonds are abused there should be no large scale defaults by particular classes of bonds comparable to special assessments in 1930 and the years following.

The Federal Government may be successful in its efforts to tax municipal bonds. New markets would have to be found for the securities. Have you considered what this market would be and can you prepare for it now?

Two important policies would help municipal finance. First, there must be non-conflicting financial policies of the Federal, State, and local governments, so that the acts of one will not nullify the acts of the others. We were not that wise from 1930 on and the efforts of the Federal Government to create employment through public works were just about neutralized by the curtailment of work by State and local government. Perhaps their finances dictated such a policy—if so, then financing of post-war improvements deserves consideration now.

Another very desirable policy would be to exercise control over the development of land. Orderly development cuts the amount of the capital investment by municipalities. Likewise orderly development cuts operating costs because it would not be necessary to serve scattered areas. Hit-and-miss developments require unnecessary capital outlays and exaggerated operating costs. Why permit them?

The war may be the opportunity to make highly desirable changes that could not be obtained in normal times or it may be used as the excuse for "sloppy" work. All of us with an interest in municipal finance should use the war as the means of getting better laws, eliminating harmful practices, cutting out dead wood, and generally putting our municipal house in order. Your group can do much if you wish to do so.

Finally, may I mention post-war planning for municipal finance. Just two ideas are enough. What municipalities do now determines what they will be able to do or will be compelled to do in the post-war era. Municipalities which weaken their financial structures now must inevitably spend the post-war period "burying dead horses" and trying to get out of the hole. That is inevitable. A municipality which makes no conscious plans, but lets its finances drift into difficulty, has just as certainly made its plans for a future that is dark. But a municipality that takes constructive steps now will be in a position to carry out whatever plans the post-war era requires. So I say the best way to plan for the post-war era is for municipalities to do the things that are sound and constructive financially. In that way they cannot lose.

Lt. Owens & Maj. Blizzard At NSTA Meeting

Among the visitors from the Armed Forces were Lt. Colonel Kenny Owens of Camp Grant, Ill. and Mrs. Owens and Major Herb. Blizzard of the Air Force.

Greetings From NSTA Officials Past-Present

(Continued from page 790)

policies and work of the previous administration will be continued by the new officers.

I do sincerely appreciate this opportunity, and at this time pledge my whole-hearted support to my fellow officers and the NSTA.

Jerome F. Tegeler.

RUSSELL M. DOTTS

It is, indeed, a privilege as well as a pleasure to be able to serve an organization which has proven itself over a period of years to be an integral part of our industry. We also have had an opportunity to prove our ability to cooperate

Russell M. Dotts

with and serve our country when called upon to do so, with our whole hearted support in the recent bond drives and in continually urging the purchase of Government securities.

I would be remiss in my duties if I were not to pledge myself to the continuation of the splendid administration of economy and progressiveness, such as we have experienced under the capable leadership of William Perry Brown, to whom I promise to give my whole hearted support during the coming year.

It is with the deepest sense of responsibility that I will endeavor to show my gratification to my fellow members for the trust they have placed in me; and will do everything within my ability to promote and uphold the standards of the NSTA.

Russell M. Dotts.

EDWARD H. WELCH

Entering its tenth year the National Security Traders Association with the rest of the nation is facing the vicissitudes of war and is united with our country in aiding to the fullest extent of our ability. Many of our members are in the armed forces and those of us on the home front are devoting their time and efforts to aiding in the war loan drives and in government agencies to bring the war to the earliest conclusion possible.

Edward H. Welch

Since its organization in 1934 the National Security Traders Association has done much to maintain the high standards of trading in the over-the-counter markets and has worked consistently for the general welfare of the business.

We shall continue to realize our responsibilities and to pledge ourselves to work together for the common good.

Edward H. Welch

Cotter Heads Division Of Third War Loan

William E. Cotter, counsel for the Union Carbide and Carbon Corp., has been named Director of the Commerce and Industry Division of the Third War Loan, it was announced on Aug. 14 by W. Randolph Burgess, Chairman of the War Finance Committee for New York State. The aim of this division, Mr. Cotter explained, is "to bring the rank and file personnel in business houses and manufacturing plants face to face with the vital need of money to 'Back the Attack' of our boys overseas—money which is merely loaned to the Government and which will be repaid with interest. We will seek to impress the various groups with the necessity of investing in war bonds, not only to help our war effort, but to help themselves," he said.

The program of the Commerce and Industry Division of the Third War Loan was outlined by Mr. Cotter at a luncheon of business leaders at the Union League on Aug. 16. Mr. Cotter was Chairman of the chemical group of the Commerce and Industry Division in the 1943 Red Cross drive, and for two years was General Chairman of the Greater New York Fund, in addition to his various directorships on hospital boards and charitable agencies. Another war activity is the Chairmanship of the Selective Service Board at New Rochelle.

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The Securities Business In The Post-War Period

By W. W. TOWNSEND
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Lecturer on "Bond Values" in Columbia University
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This discussion should be prefaced by a disclaimer, quite in the spirit of the times. It is **not** a prohpecy. It does **not** purport to be a post-war "plan." It is merely the expression of some opinions which have crystallized into sincere convictions and which have as their background nearly thirty years of active participation in the securities business, with practical and factual research an avocation which since has become a most enjoyable vocation—as often proves to be the case. It is based not on theory but on the observation and appraisal of things which **already have happened.**

W. W. Townsend

To begin, therefore, there will be a securities business after the war. It seems strange to have to say that but there are plenty of those who have some doubts about it and who express those doubts on every occasion. It will not be as awe-inspiring as in the mauve decade, as careless as in the early 1900s, as glamorous as in the post-World War I period, as completely cockeyed as in the late 1920s, as discredited as in the 1930s nor as chastened as in recent years. But, as nearly as anything can be stated regarding the future with complete confidence, it can be stated that the securities business will be there.

The reason it will be there will not be any high-brow reason such as its valuable contributions to America's previous prosperity nor the fact that the finance industry, of which it is a part, is the greatest middleman industry ever to have been invented and should not be destroyed. All those reasons were well known to those who really would have liked to abolish "Wall Street"—and the answers were all ready. No, the reason why the securities business will persist is because it is now, and will continue to be, an **essential industry.**

Suppose we take that apart. It **could** be the observation of a biased observer and hence have no value—and carry no conviction.

Currently, the contribution of the securities business to the winning of the war is one of those phenomena which will be adequately appreciated by the historians, as will the contribution of industrial management. It is going on before our eyes but is getting almost no credit—currently. It is being properly appraised, however, and as long as the need for extensive Government financing persists, which may well be longer than the war persists, the securities business will continue to be an indispensable luxury to some of those in high places and an absolutely necessary adjunct to the activities of others, notably the Federal Reserve Banking System which is now the greatest syndicate manager in all history with every one of the typical syndicate manager's problems. But we started out to talk about the post-war period and all we have done so far is to keep the securities business alive—and barely alive—until the Government no longer needs to have it around. Well, the answer to that is even simpler.

Capitalism will also be a part of the post-war American way of life. It, too, may look a little different from the capitalism which has been the wolf in every Red Riding Hood fable concocted by every other "ism" ever started, but it, too, will be "there"—not because Wall Street succeeds in accomplishing its nefarious purpose, not because the Republicans have "thrown the rascals out," not even because we have decided to remain a capitalistic country but simply because we have become a nation of capitalists. Wall Street will be too busy carrying out the orders of these capitalists to have much time for politics.

The other day one of the weekly News letters produced a gem of oversimplification by stating that a conservative is somebody who has something to conserve. If global strategy and ethnic democracy had not given all of us more than a touch of cosmic consciousness we might be able to classify a liberal as somebody who wants to help the conservative conserve that "something" and a radical as somebody who merely wants it. Time was when a liberal thinker was merely broad-minded, a liberal spender limited himself to his own money and the only change the radical wanted was a political change. However, if oversimplification is in order—and it may very well result from current overcomplication—certainly a capitalist would be somebody who has some capital. Therein lies the answer to capitalism in post-war America.

We went into the last war with perhaps a half million investors. We came out of it with several million investors. Does anyone doubt that we will come out of this war with many times several million investors? It may take some time for our new crop of capitalists to realize that the only difference between them and the Capitalist in the Red Riding Hood fable they once believed so impilictly in is the difference between the upper and lower case "C" but that actually will be about the only difference. And that job of education is Job Number One for the securities business in the post-war period.

Job Number Two is the "policing" job which the business should have started itself but which it alone can finish. Of that it needs only to be said that the earlier Roosevelt put his finger on both the problem and its solution when he coined the phrase "lunatic fringe." But no matter how the start was made and how it is being carried forward it must be admitted that something had to be done—and it is to the everlasting credit of such organizations as the National Association of Securities Dealers that they have recognized that fact and are doing an excellent job of house cleaning on their own responsibility.

Job Number Three is to handle the "wash" back and forth between the millions of small and large Government Bond holders **without** succumbing to temptation to make the "tradeouts" which contriubted in no small degree to the market break in such securities right after World War I. That is a part of the policing job and it could very well be started now.

Job Number Four is the most interesting job of all. It involves financing the reconstruction period, the promotional period and the pioneering period all of which are as sure to develop as the sun is sure to rise. Some of this will be done by Government, some of it will be done by the banks, but a large part of it will be done by private enterprise, private capital and the good offices of the securities business in bringing them together—very much as in days of yore and yet, in all probability with some "additions, extensions, betterments, and improvements."

We have been monetizing our

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"Railroad Securities In Post-War Era"

(Continued from first page)
curities created by the reorganization of the various companies were better than the junior securities of the unreorganized companies, for obvious and easily provable reasons.

"However, today the public is judging railroad securities—the good ones, the so-called borderline ones, the reorganized ones—as war babies, and it is with this psychology that we now have to compete as dealers and as investors in railroad securities.

"It has been built up, I think, more from the historical past in railroad securities than from the fact that the war has naturally increased the earnings of railroads. You see, railroad securities for the last thirteen years, let's say the last ten years prior to 1941, were subject to the fear of bankruptcy. That thing was not the cause, but that was the thing that gave railroad securities a bad name. And that reputation still continues.

"They say railroad securities are war babies, yet in order to be war babies they must have discounted the effects of war.

"I claim they have not, for reasons that I shall develop in a few minutes. But in any event, I think the primary reason for that so-called reputation has been the historical record of ten years, from 1930 to 1939, when 35 Class I railroads entered bankruptcy.

"Another thing I want to say at the beginning is that I am talking to you about railroad securities, but I am also assuming that you and your customers are going to own some corporate securities. By that I mean industrial stocks or utilities or industrial bonds or utilities.

"If you have clients 100% invested in cash or municipals or governments, what I have to say will probably be of academic interest. Therefore, I am trying to point out in the beginning that we should stop isolating railroads.

"You would think, the way people talk, that the railroads have the only problems after the war, and the industrial stocks and utilities will have none. I don't think that is true. So I make this suggestion at the beginning. Look at railroad securities comparatively with other securities, and when I talk to you I assume you own some kind of corporate securities.

"Another thing is that any predictions I make are limited to the foreseeable future. How long that is I don't know, and it is pretty hard to say definitely. But we have found in the last ten years that there is no such thing, with the exception of government bonds, as a permanent investment. So I am not going to predict what is going to happen to railroads twenty years from now, because to me and to you I think it is somewhat academic. But I am going to try to predict the future over the foreseeable outlook for railroads.

"Another thing: I find throughout the country that almost all of those interested in rails take a negative position. We are always trying to defend the rails. I have tried in various ways to change that to a more aggressive spirit, and I hope this afternoon to add a little fuel to the story and perhaps cut down this terrific sales resistance against rails generally.

"Another fundamental to start off with is that if you people realize that if you compare the railroads with your various other industries—well, let me put it this way: Last week I said, "Suppose you owned industrial stocks; suppose you wanted to buy some industrial stocks. Which ones would you buy, and why?"

"So I went back through the years 1927 to 1934, and I ignored all fixed charges both in the railroad industry and in these other industries. I ask, "How does the railroad industry as a business risk compare with the other industries?"

Take for example all the steel manufacturers in 1934 — these figures are from the SEC comprehensive reports on listed securities—saved 1 cent out of each dollar. 1934 was not a good year for railroads; it wasn't the worst year, but it was not a good year, and yet in 1934 the railroads saved 20 cents out of each dollar. The automobile manufacturers in that year saved 7 cents; the motion picture industry saved about 7 cents; the sugar refining industry saved about 6 cents; mail order houses saved 5 cents; agricultural machinery, 10 cents; department stores, 3 cents. The only industry in that group of about forty major industries which competed with the railroads in the amount saved was the chemical industry,

"That percentage follows right along in 1935, 1936 and 1937. So I repeat what I have said many times before, that as a business risk, even in the worst years of the depression, there was nothing wrong with the railroads any more than was wrong with the other industries. The thing that licked them, of course, was the tremendous amount of fixed charges.

"To make some of those statistics which I just gave you a little more alive, all your automobile producers in 1937 did a gross business of about $2,700,000,000. The railroads did a gross business of $4,100,000,000. However, the amount saved by the railroads in 1937 was 17.8%, or $744,000,000. The automobile industry, in the meantime, saved 10%, or $280,000,000.

"In 1934 with a gross of $3,200,000,000, the railroads saved $666,000,000, or 20%. The automobile producers, with a gross business of $1,300,000,000, saved $111,000,000, or 9%.

"The steel industry in 1934 did a gross business of $1,200,000,000. The railroads had a gross business of $3,200,000,000. The railroads saved $666,000,000, or 20%, and the steel industry saved $12,000,000, or 1%.

"In 1937 the steel producers did a gross business of $2,800,000,000 against the railroads' $4,100,000,000. In that year they saved $229,000,000, or 8%, and the railroads $745,000,000, or 17.8%.

"I repeat, then, that in my opinion the railroads, by comparison with other corporate securities, are good business risks provided the financial risk has been removed.

"Subsequently I tried to develop the fact that this peculiar fear of bankruptcy which was in the railroads and not in the steel producers, the automobile producers, and so forth, is the psychology that makes them now war babies. To use the stock of a company which was not reorganized, like Southern Pacific, how can it sell a $25 share, earn $25, and pay only $2, and be called a war baby? There must be some fear that after the war you have a bankruptcy possibility on your hands.

"Now, if Southern Pacific were selling at ten times earnings, at $250 a share, if the directors were paying $13 out of the $26 that they were earning, then I would agree with the public that perhaps there should be a danger of having discounted war earnings. But I do think the fear the public has of railroads is false, because as I will show you in a few minutes, in my opinion there is no danger of bankruptcy for any Class I railroad not now in bankruptcy, over the next five, six or seven years.

"And if that is so, then the present prices of railroads are overly discounting not war earnings, but a future which in my opinion they will not have.

"Railroad credit has had a bad history as I have said. Up to 1931 railroads, generally speaking, were subject to buying by most of your fiduciaries, banks and insurance companies. For 75 years that was the only market for railroad securities, because the investment houses could not be bothered calling up individuals to buy railroad bonds when they knew that the institutions would buy them.

"Then, all of a sudden, over the last ten years, that only buyer was prohibited from buying and he became a seller. As a result you had prices, and still have prices, at extremely low levels for the very simple reason that you have more sellers than you have buyers.

"However, that fact alone creates that position where those who can do something about it should, because as the situation changes from bankruptcy to solvency, as it did in the Wabash and the Erie, these old-time buyers once again come back in the market and buy the first mortgage bonds and the income bonds of the reorganized companies.

"So you recreate the situation

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"Railroad Securities In Post-War Era"

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where you have more buyers than sellers, and during that spread between securities in bankruptcy and securities reorganized into a new company on a solvent basis, you have that tremendous appreciation in price which I have referred to many times as mechanical profit.

"On building up this story of what is going to happen in the post-war era, first I am going to point out to you a few reflections and try to indicate that current prices, first are not too high; second, that by the regulation of competition the deterioriation in the rate structure, which started years ago, will level out and stop; third, that the reorganization of 35 Class I carriers, plus the debt reduction program of the solvent carriers, will remove the financial risk by reducing fixed charges over 40% for the Class I railroads as a whole.

"Fourth, that the increase in efficiency of railroading today as compared with what it was 20 years ago has been tremendous. Perhaps this competition and the poor period of the railroads financially during the years from 1930 to 1940 was a blessing in disguise in introducing efficiency into railroading never before known.

"And last, but not least, as I said in the beginning, the railroad problem after the war is relatively no greater, and I think actually less, than that involved in a great many other industries.

"On the question of what price range these railroad securities are on now, they are now selling in the low 30's. The low in the Dow-Jones averages on rails in 1932 was 36. In 1932 the railroads did not earn their fixed charges, and obviously as a group earned nothing on stock. Last year the railroads earned their fixed charges before Federal income taxes over three times, and they earned, on the average, about $10 per share of stock.

"Now, are the Dow-Jones stock prices discounting war earnings? In my opinion, no. In the last war, with the Government running the railroads, with all kinds of rate and wage uncertainties, the Dow-Jones averages in the years 1918 and 1919 ranged 74 low and 93 high.

"Second grade bonds, Dow-Jones averages, are now selling around 60. The high in 1937 was 98. Are they discounting the war earnings, selling 30 points below, 5% bonds selling at 60, yielding 8, 9 and 10%? What are they discounting? They are discounting a possibility of bankruptcy. There is no question about it.

"And I claim there is no danger of bankruptcy, because they let the income bonds of the reorganized companies, like Erie incomes, where there is definitely no danger of bankruptcy, sell to yield 8, 9 and 10%.

"In 1929 the high in the Dow-Jones rail averages was 109. In that year they did $8,000,000,000 gross business. Today the stock market averages for rails are selling at 33 or 34 while the roads are doing close to $8,000,000,000 gross. In 1938 the Dow-Jones averages sold at 34, with $3,000,000,000 gross.

"Take Rock Island, for instance: All these figures are excluding equipment, because equipments are usually paid off through amortization of equipment or cash account, anyhow.

"Rock Island securities, a par value of $321,000,000 are selling in the open market today for $88,000,000. And yet the cash which the trustee has is or will be equal to (before the end of the year) $88,000,000. Last year they earned $36,000,000, this year probably $40,000,000.

"Are they discounting war earnings? No! Let's say you pay $100,000,000 for Rock Island. If you made $5,000,000 or 5% on your invested capital you would be doing better than the railroad industry has done in a long time, with the exception of these war years. Yet that would only mean the production of $6,000,000 out of the Rock Island management.

"So I say that these prices are not discounting war earnings. They are discounting the most dismal future for the railroads that you ever heard of, not only in defaulted bonds but in your borderline bonds. If there is no danger of bankruptcy, and you can buy an income bond to yield 8 or 9%, or a bond of a solvent company which was not reorganized on an 8 or 9% basis, you have virtually no risk if there is no danger of bankruptcy.

"Sure, they will fluctuate; but so will everything else fluctuate. American Telephone doesn't stay at one price: It ranges 40 or 50 points in the course of a year for a million different reasons.

"I could give you the same comparisons in the Frisco and New Haven and St. Paul and Northwestern pictures.

"This is as much time as I am going to take on this particular subject, but I repeat again: I think current prices are discounting the most dismal future the railroads ever had, and as far as solvent bonds are concerned, selling on 9% basis, they are discounting the possibility of bankruptcy, and in my opinion there is none.

"It is true, of course, that the railroad position has changed from one of monopoly to one of competition. Competition came in in the form of trucks and buses and automobiles and pipelines and barge lines, and so forth. Unfortunately the railroads in some cases were not allowed to organize buses and trucks, and also unfortunately, for the first fifteen years of their existence these competitive forces were virtually unregulated.

"As a result there came this terrific deterioration in the average rate that the railroads received for carrying traffic. It came about, of course, because the railroads retained the heavy stuff, the ore and the coal and the steel, and they lost a great deal of the high-class merchandise to trucks who in their early existence could pick and choose and make their own rates, and so forth.

"It was not until 1935 that the ICC and Congress recognized that they should be regulated, but it was not really until 1939 that we had any real regulation of competition. We now have the normal forms of competition.

"This rate decline, plus depression costs, reduced the railroads from a $6,000,000,000 average business in the '20s to a $4,000,000,000 average business in the '30s. But, strangely enough, the thing that ruined railroad credit was the bankruptcies. It was not necessarily the rate decline.

"The tremendous difference in railroading generally overlooked, I think, is brought out when I attempt to prove that the rate decline was the primary reason for this change in the railroad industry.

"Take two year periods, 1928 and 1941, when the railroad business was about the same, measured in ton-miles and passenger-miles, around $528,000,000,000. Yet the gross in 1928 was $6,000,000,000, and for the 12 months ending September, in 1941, it was $5,000,000,000.

"Now, if railroad managements were not able to absorb that decline in gross through more efficient methods, obviously if their net went down a billion dollars they would have been actually, as an investment, all through. They not only would not have covered their fixed charges, but they would have had an operating deficit of tremendous proportions.

"But despite the fact that they did lose a billion dollars doing the same business, you understand, their gross was off a billion dollars for those two comparable periods.

"The net railway operating income in 1928 was $1,100,000,000 and in 1941, for the 12 months ending with September, 1941, the net railway operating income was $990,000,000. Management absorbed all but $100,000,000.

"How did they do it? In hundreds of ways, but, generally speaking, of course, by these increased efficiencies.

"They reduced transportation expenses alone by $413,000,000. Understand, now, they are doing the same business, and yet the cost of carrying that business was $413,000,000 less.

"In 1928 they employed an average of 1,660,000 men; in 1941, for that comparable period, they employed 1,140,000 men. In other words, they did the same business with the use of 520,000 less men.

"I know you are going to ask: 'How about the compensation?' The compensation in 1928 was $2,800,000,000; in 1941, for that period, it was $2,300,000,000, a decrease in total compensation of half a billion dollars.

"When you see these figures analysts talk about (and it has been true not only of the good ones but the questionable ones) they come out and say railroads are under the additional handicap of not being able to control wages like industry generally.

"Don't you believe it! Railroads are in a better position, in my opinion, and I can prove it in detail at the open forum later, if you want to hear it, than industry generally.

"The managements, therefore, helped to absorb this rate decline. Well, why didn't it save all the railroads? For reasons that I will tell you about.

"In this country there are about 137 Class I railroads, but if you have heard me talk before you have heard me say that 10 railroads do about 50% of the business and 56 railroads do about 95% of the business. So, in discussing the cure of the financial disease of the railroads, I use these 56 railroads.

"Of these 56 railroads, 18 of them are doing about 38% of the business. They retain their credit. They came through the depression. It is true in some cases that their prices went down, but they came through the depression and retained their credit.

"Railroads such as the Atchison, Norfolk & Western, Reading, Union Pacific and others. Twelve of them doing about 27% of the business became borderline, illustrated by the New York Central, Illinois Central, Northern Pacific, Southern Pacific. Twenty-six Class I railroads entered bankruptcy. They were all subject to this tremendous rate deterioration, and they were also subject to increased efficiency in management.

"All right. Why, then, did these 18 retain their credit, 12 of them become borderline, and 26 of them go bankrupt? Because management was able to absorb the decline in the rate structure. That was the reason, of course, that saved the 18, but there must have

been other reasons, and there were.

"So, examine the financial structure: How many bonds versus stocks? These railroads retained their credit and had what we call a sound ratio—about 55% bonds and 45% stocks. The borderlines had about 67% debt and the balance stocks; and the bankrupts had 74% debt and the balance stocks.

"So there, right off the bat, was one feature of these railroads which were bankrupt or borderline, which the good railroads did not have—an unbalanced and unsound financial structure.

"Next, how about their dividend policy when they were in a prosperous time? Take the period from 1924 to 1929. The good railroads, out of each dollar they took in, paid 35 cents out in fixed charges, 45 cents in dividends, and saved the rest. The borderlines had to pay out 45 cents of each dollar for fixed charges, yet they still paid 30 cents out in dividends, and retained 26 cents. The ones that are now bankrupt had to pay out 53% of every cent they took in for fixed charges, yet on top of that paid 35 cents in dividends and saved 10 cents for surplus.

"So you have two indictments of certain railroads, number one, a top-heavy bond structure; number two, a poor financial structure.

"Those things can be cured, and they are being cured.

"As a result, therefore, of this deterioration in the rate structure, despite the efficiency of management, those railroads with poor financial structures went into bankruptcy, and those with financial structures not quite so bad became borderline.

"What is happening to correct it? The fixed charges on these 18 good railroads amount to around $188,000,000 at the peak. Prior to 1942 this had gradually been reduced to around $166,000,000. The borderlines, too, had reduced from fixed charges of $177,000,000 to $157,000,000, the 12 borderlines I am referring to. So you had a slight debt reduction even prior to the large debt reduction in 1942.

"In 1942 the solvent railroads bought in the open market, including equipments, about half a billion dollars worth of their debt, and this year I think they will reduce it by another billion dollars.

"What does all this mean? It means that by the end of 1944 the solvent railroads will have reduced their fixed charges almost 30%.

"What has happened to the bankrupt carriers? These 26 bankrupt carriers had fixed charges amounting to $222,000,000. That has now been reduced, or will have been reduced at the termination of these reorganizations, to $88,000,000—a reduction of 60% on the average.

"I don't care whether these plans are changed by the various groups or not—I am speaking now of fixed charges. I don't think any plan will change the new fixed charges, either decrease them or increase them. In none of the various changes proposed has there ever been a proposal to increase fixed charges, so this reduction will stand regardless of any possible changes in plans.

"Now, the old aggregates of these 56 railroads, doing practically all the business, the old aggregate fixed charges were $587,000,000 through these various features: This will be reduced, in my opinion, by the end of 1944 by 45%, which means that even in the worst years, if we ever go back to them, if we ever go back to a $3,000,000,000 gross (which I don't think we will) it will still cover the fixed charges twice, which is as good as the utility industry did or is doing today.

"Do you realize what that means? The railroads are now bonded for about $10,000,000,000, excluding equipments; it means a reduction of close to $4,500,000,-

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The Future Of Interest Rates

With Special Reference To The Treasury's Borrowing Policy

(Continued from first page)

which few would have anticipated.

I believe that sooner or later rates of interest must rise. If the rapidly moving expansion of bank credit precipitates acute "inflationary" phenomena, rates of interest will rise radically. If to forestall this, policy is changed and the Federal Reserve authorities tighten the money markets, and the Treasury pays rates of interest on its borrowing which will really attract investors' money in adequate amount, the increase will be substantial but more moderate. The question of the amount in the increase of interest rates is primarily the question as to whether the Federal Reserve authorities and the Treasury pull up in time, or whether they pursue existing policies until their hands are forced and control of the situation becomes difficult.

There is a fundamental theoretical issue here of first importance. I shall make the discussion as non-technical as possible. The question is as to the relation between the capital market and the money market, and the extent to which the multiplication of dollars in bank deposits and money in circulation can serve as a substitute for the real savings which economists in the past have always looked upon as the primary source of capital, and as the governing influence on the supply side in the determination of the rate of interest.

The great masters in the field of the theory of interest, as Boehm-Bawerk and John Bates Clark, have concerned themselves very little with money market phenomena. Interest is a phenomenon running far beyond loan transactions. It is implicit in the whole fabric of economic values. If the rate of interest is high, a piece of land may sell for ten times its annual net product. If the rate of interest is cut in half, the same piece of land may sell for twenty times its annual net product. The rate of interest binds together present and future. It governs the allocation of capital among different productive activities. If capital is very abundant and interest rates are low, activities may be undertaken which could not be undertaken if capital were scarcer and interest rates higher. The interest rate, like all other prices, has work to do in guiding and directing the utilization of our economic resources, and in holding our economic life in equilibrium.

The explanation of the rate of interest in the history of economic thought has developed interesting rival or complementary theories which we may not do more than mention here. For John Bates Clark the rate of interest is governed by the marginal product of capital. The greater the volume of capital in relation to the supply of labor, the lower the margin will go and the lower the rate of interest will be. For Boehm-Bawerk the factor of time preference is of primary importance. Interest must be paid to induce men to forego present consumption. Unless the utilization of existing income in producing bridges and machinery creates a greater future product of hats and shoes and food than could be had by using the present income for consumption today, men will not wait. The future is far off and looks small in relation to the present.*

There is an immense literature on the theory of interest running in terms like these, with almost nothing said about the quantity of money as a factor in determining the rate of interest.

Side by side, however, with the development of the pure theory of the rate of interest, we have had the development of a very useful and very able body of money market discussion. The money market writers in London and New York, trying to forecast rates of interest, including the yield of long-term bonds, have had very little to say about the marginal productivity of capital or the time preference of savers. They have talked about the gold reserves of the Bank of England, the inflow and outflow of gold, the prospects of changes in the discount rate of the Bank of England, or the Bank of England's operations in "selling to the market." The money market writers in New York studied the weekly figures of the New York Clearing House, the relation of reserves to deposits, the relation of loans to deposits, the prospects of the autumn demands for money for crop moving, the inflow and outflow of gold, and, after the coming of the Federal Reserve system, they discussed the discount and the open-market policy of the Federal Reserve banks. The money-market students have had no doubt that the abundance or scarcity of bank reserves in relation to deposits would affect not merely the short-term rates of interest but also the yield on long-term bonds.

There have been two main reasons why the theoretical economists in the past have neglected the money factor and have concentrated their study on the psychological attitudes of the saver and on the use of capital in industrial processes. The first is that down to 1914 we had had a minimum of money market manipulation by central banks and governments deliberately designed to control rates of interest. London had some of it. The Bank of England would occasionally raise its rate for the purpose of stopping an unsound speculative movement, and it would occasionally sell Consols or Indian Council bills for the purpose of taking up the floating supply of money. These operations were microscopic indeed in comparison with open-market operations in the period following 1921. I have found one case where the sale of 1,100,000 pounds of Indian Council bills was sufficient to "make Bank Rate effective." Operations of £5,000,000 were large operations in pre-war London. The volume of excess money rarely grew so large in pre-war days as to attract the attention of academic economists or the general public.

There was a period from 1897 to 1903 when the great influx of gold which came to the United States clearly pulled down the long-time rates of interest. The average yield of 10 railroad bonds dropped from 4.38% in 1897 to 3.77% in 1902. But the downward movement in yield was gradual and, though it was not unnoticed by economists, it made no change in the prevailing theories of interest.

The second reason why economists disregarded the money factor was the widespread prevalence of the quantity theory of money. For this theory the quantity of

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*The time preference theorists regard the productivity theorists as involved in circular reasoning, since the very capital value on which the marginal product is computed as a percentage is itself in part determined by the rate of interest. I believe that this criticism of the productivity theorists is correct, but I do not discuss it here.

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"Railroad Securities In Post-War Era"

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000—a tremendous amount. In my opinion, it is the cure for the financial risks. How much further ahead does anyone want to think than the next two, three, four or five years?

"I have tried to prove so far that prices were not too high. As a matter of fact, the prices are discounting the worst periods of railroad history by their prices, and they are also discounting possible bankruptcy. I think I can prove that there is no possibility and that the public is wrong in letting railroad bonds sell to yield 8, 9 and 10%, because those dire things are not possible.

"I have also tried to show you that the efficiency of management has made up, to a considerable extent, for the rate decline, that the rates are regulated and that the financial problem of the railroads has been cured by open-market purchases and by reorganization.

"So much for railroad credit.

"Now, getting down to some of the more specific thoughts: As I said before, prices are controlled by buyers and sellers. From now on this will be mostly on railroad reorganizations, which is my field, and purposely so, because if all the things I have just said are so —and I think they are—I would still prefer to buy the reorganized company or the company that is being reorganized, because there is greater leverage, and if you want to put it differently, greater safety.

"There is greater leverage because, despite the fact that the solvent securities sell at tremendous discounts of 40 and 50%, the others sell at even lower in proportion to what they are entitled to. Then, too, as I said before, you have a lot more sellers of a bankrupt road, that is, defaulted bonds, than you have buyers, and that changes as the road emerges from reorganization.

"I think the most encouraging thing (and this is digressing a bit) over the last two months has been what I consider weak selling and good buying. We have probably had more institutional buying of railroad bonds in the last two months than we have had in the last year, possibly in the last two or three years. They are once again buying, and properly so, the senior bonds and the reorganized bonds of these new companies.

"These railroad reorganizations which have delayed their consummation because of various litigations, and so on, have had the effect of dampening the market over the last two or three months, because we have had what I call practically no good news. Litigation has dragged out several of the plans, either rightly or wrongly so, and we haven't had a piece of good news, let's call it, on railroad reorganization, in a long time. And, of course, they have been subject to this peace selling, as I have outlined in the beginning—selling by those who must think dire things face the rails after the war.

"And when they sell solvent bonds yielding 9 and 10%, or income bonds yielding the same, they must think there is danger of bankruptcy, because they fluctuate. Sure, income bonds may go up or down a few points. Everything will fluctuate. But if you have no danger of bankruptcy it is ridiculous to think that railroad securities are high, yielding anywhere from 8 to 10%.

"Referring again for a moment to labor, because I just happened to run across it in these notes, I get a little tired of listening to all these analyses of industrials, where they generalize and say industrial stocks do not have the wage problem in anywhere near the same proportion as railroads.

"So I wrote to the National Industrial Conference Board and also the United States Bureau of Labor Statistics, and I asked, 'Do you have any statistics showing the productivity of labor?' And they said, 'Yes.'

"Now I have it for railroads. I have the ton miles per man hour, the index from 1929 to 1942. Let's skip 1942 and take 1941:

"Using 100 as the railroad index and the manufacturing index, the productivity of labor on the railroads in 1941 was 154, an increase of 54%; manufacturing showed 142, or an increase of 42%.

"I have a lot of statistics on air freight, which I am sure somebody will bring up, but I prefer to leave it until the open forum. I say, generally speaking, that in answer to air freight, this and that after the war, that we have learned one thing about railroading, and I think we only learn it during a war: There is virtually no limit to the capacity of the American railroads, virtually no limit to the business they can handle, which I would say will be demonstrated out in the western territory over the next few months. They think they are doing business on the western railroads now—but wait until twelve months from now! And they can do it, because they have been doing it all over the country.

"Now, when you build a ship or a truck or a cargo plane, the minute you pay for it and use it that is the limit of that equipment. They claim they will have glider trains, but we are not going to have any ships like that, and the maximum trailers and trucks I have seen are three, whereas now, if you live on the Pennsylvania, you will see a lone locomotive taking 130 cars without any difficulty. In other words, there is no limit to the capacity of the American railroads.

"What should be the answer to that? The answer should be—and the war has demonstrated—that they can reduce rates and make a tremendous amount of money, and reduce rates again, because they are the volume business of transportation in the United States. If it were recognized by all, they are the cheapest way to ship, because they have the volume and the capacity.

"Perhaps we will learn from this war a great many things about railroading that we never knew before. Perhaps the shippers will also learn that. The corollary to that is that we have also found out that what people prefer to term a 'stand-by plant' in 1938 became our greatest national asset during the war. It is the greatest single asset this country has, because without it nothing else would be of much value, and we have found that out.

"Now, getting down to something more specific, let us say, as I told you last year, I don't like to talk about railroads and end up leaving you high and dry. I believe, rightly or wrongly, in sticking my neck out and recommending something, as I did last year.

"I have been told, perhaps facetiously, that it is time to shut up, because I will be wrong some day. My answer to that is that when I reach that point I will be the first to tell an audience like this, or any other audience, because I try to base my recommendations on as few assumptions as possible.

"Public psychology may defeat me; some people say it will, but I say if it does (and I don't admit it will), it will only do it temporarily. If railroad securities decline in anything like the manner after we have licked Germany and

Japan, which I hope will be tomorrow but which I don't think will be for some time to come, if a decline like that should occur, in my opinion these things will be the cheapest securities you could possibly buy, for the reasons I have already outlined.

"But I don't think that is going to happen. I think that when more and more people realize the values, and realize that these prices are discounting bankruptcy for the railroad industry, they will no longer sell, but they will become buyers.

"I am again recommending the senior securities of the railroads being reorganized. Specifically, the St. Louis and San Francisco bonds; the Missouri Pacific 5% refunding bonds; the Northwest generals and refunds; the St. Paul generals and New Haven refunding bonds; the Rock Island generals and refundings; the Denver consolidateds and Rio Grande firsts; St. Louis South Western senior bonds; and I have probably missed a couple, but that is the general line.

"Why? They are higher than they were last year, in some cases 100%, in some cases 1,000% higher. But in each case, if you divide up—after allocating a reasonable amount of cash for working capital—if you divide up the cash positions of these ralroads by the senior bonds that I am recommending, you will find that the cash increment has increased far more than the advance in price since a year ago.

"A year ago they were discounting treatment in reorganization; they are up since then, no question about it. But if you divide the senior bonds that I recommend into the cash, you will find that the cash per bond is far greater than the price depreciation.

"You may ask, what good is cash if you can't get it? You are going to get it one way or another. How, when, where and by what means, I don't know. I don't know what is in the ICC's minds on changing some of these plans, but I know if you have a senior security, no matter who changes the plan, that cash or the great majority of it will go to the senior securities. If the plans are not changed and the cash becomes an asset of the new company, it will be used to buy bonds, both incomes and firsts, thereby helping you indirectly.

"If the progress is delayed through litigation or other means, you will probably get it as a payment on your old claim.

"Another thing has changed since last year. Last year we had the first mortgage bonds of the reorganized companies selling at large discounts. Today the good ones, that is, the well-known ones like Erie and Wabash, are selling at par, and are being bought quite regularly now by the institutions. I predict that a year from now it may be possible for income bonds of the new reorganized companies to be purchased by banks throughout the country, and if that occurs their average price will be 80, 85 and 90 rather than an average price of 50, 55 and so on, as it is now.

"When I make that statement, as I did three or four weeks ago, a banker got up and said, 'Young man, banks can't buy income bonds.' It just so happened that I had his portfolio, and I said, 'I don't know what you call that Atchison Adjustment bond. If that isn't an income bond I have never heard of one.'

"Of course it is an income bond.

"I think the new income bonds may sell on an 'and interest' basis, which will provide, I think, a lot more buyers than paying the interest every year in April.

"So far as progress is concerned, most of them are now at the point where you will get some news one way or the other. The first one that you will get some news on is St. Paul. The St. Paul plan was approved years ago by the ICC, by the District Court, and it went to the Supreme Court. The Supreme Court approved it more or less except for two refinements: One refinement is academic, because the decision of the judges does not change the plan any. The other is this topic of compensation, which is a little bit complicated, and I don't think you would gain anything by my going into the thing.

"But I do think within two or three weeks that this point will be settled by the ICC, either by approving the old plan as it now is, by saying the compensation is there or (although I don't know what the ICC will say) their apparent alternative would be to adopt a proposed compromise plan. Under either one of these plans, St. Paul generals are cheap because if the plan goes through, in my opinion the bonds are worth par, St. Paul generals, which are now selling in the low 60s. If the proposed compromise thing goes through they will be worth par, and you will get news on them almost immediately.

"Some time in September you will probably get further news on the Chicago-Northwestern. In that case the plan was approved years ago by the District Court, and subsequently by the Supreme Court, but is still in litigation. There, again, if the litigation should win, the cash available, directly or indirectly, will benefit the senior bonds. Just how, I don't know.

"On the other hand, if the plan goes through as is, the senior bond will sell higher.

"The third news, let's say, could be in Rock Island, because there the judge approved the plan with five minor exceptions, only one of which is important, and that is this compensation theory. The hearing will be September 1, and I think you will get a decision by the middle of October. There, too, whether the old or the new plan goes through, you have tremendous leverage in the Rock Island securities.

"You will bet news possibly on Denver. The next Denver hearing is set for September 13, and you might get a decision before the end of the year.

"In the New Haven matter the hearings are to be held on September 8. That plan, with the exception of litigation argument, let's put it that way, concerning Old Colony, is pretty well set, and you can measure your value.

"The Frisco, according to present reports, have apparently overcome their legal hurdle by compromising the claim of the RFC.

"So, whereas this year so far we have received practically no news of any progress, all the news being Supreme Court decisions with a little complication, and so forth, from here on toward the end of the year you will get news, and regardless of what type of news it will be, in my opinion it will be favorable news.

"Although I have tried to indicate my conception of the post-war conditions, the post-war era, some people of course will not agree. So I had the boys in the office draw up some charts to show how these new securities, income bonds, first mortgage bonds and preferreds, are protected against a decline in business, if and when it does come. I use the first chart that happens to be pinned up already—the Wabash.

"(Chart) On the extreme left is the amount available for fixed charges. Both sides of the chart indicate the amount available for fixed charges. I take the ton miles of the last twelve months, which was through June. Then I say, what did that railroad have available in some period in the past, when they had 5% less ton miles? This chart indicates from 5 to 70%. Then I have shown all fixed charges and preferred dividends in the Wabash, requiring $5,700,000, and that requirement has been reduced since because they have reduced a lot of income bonds.

"The Wabash, from its historical record—and this historical record is the actual—in other words, they would have to lose 50% of their present business in order to endanger the preferred dividend. That is where these lines cross. This line is green on the chart, but it is difficult to see where you are sitting.

"Likewise, they would have to lose over 57% of their present business to endanger the interest on the income bonds.

"Remember one thing about income bonds: All of them, with but two exceptions, are cumulative if not earned up to 13.5%. Some of them, like the Denvers, are cumulative up to 18%. Study the record of any road in bankruptcy, and you can go back over the last ten years, from 1940 back, and during that period you will have all your income bond interest. True, you might have skipped some of it in 1932, 1933 or 1938, but you would have gotten it back in the first decent year.

"Now, the thing that breaks railroads, from a quick standpoint, is lack of coverage of fixed charges.

"Fixed charges on the Wabash, their business, would have to go down almost 63.5% before their fixed charges would be involved.

"In these figures here I have left out the capital fund because under present bookkeeping methods, which were not in effect when these plans were drawn, the capital fund in most cases will now be substituted, or, rather, will get a credit from depreciation of plant and structures, so that there will be in effect no capital fund. True, it will be a charge against gross, but that charge all of the railroads will have also.

(Editor's Note—Unfortunately, the large charts used by Mr. McGinnis in his address were not available for reproduction.)

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"Railroad Securities In Post-War Era"

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"(Chart) This next chart shows the Erie Railroad. Perhaps I should explain that the Wabash income bonds, that is now with the reorganization over with, the securities that are listed here—the income bonds, the first mortgage bonds and the preferreds—are the amounts exchanged under the plan.

"Likewise in the Erie. In this case, also, the fixed charges that I use are taken out of my book, and since that was published the new fixed charges on most of these have been reduced again.

"The Erie could lose 60% of its present business and still cover the preferred; they could lose 65% of their business and still cover the income bonds. I didn't carry this line out this far, but they would have to lose close to 80% of their business before involving the interest on their first mortgage bonds.

"(Chart) This is the St. Paul chart. The securities are not available in the form of new securities because of litigation. There is no trading on the when-issued securities. If my idea is right, there will be trading in a relatively short time. They can be invested in now through the medium of the St. Paul generals, and while I am speaking of that, there are only two junior bonds whose purchase I would recommend at the present time: One is the junior bond of the St. Paul, the so-called St. Paul adjustments, which sell at around 13 or 13½, and the other is the junior bond on the North Western which sells at about the same price, the convertible 4¾s.

"Getting back to this chart, the St. Paul could lose 46% of its business and still cover the new preferred, and 65% of its present business and still cover the new incomes. I did not project this line out, but it would be 75% of its present business without involving the new fixed charges.

"(Chart) This is the Missouri Pacific on the ICC plan of reorganization. As far as the overall charges are concerned, it does not differ much from the proposed Allegheny compromise; so the figures, while they will always be a little different, draw these general conclusions:

"In this case they could lose 55% of their present business and yet cover charges including preferreds. They could lose 65% and still cover their income bonds. I did not project this line out, but over 75% could be lost and still they could cover their first mortgage bonds.

"(Chart) Understand, when I talk almost exclusively in a specific part of my talk about railroads being reorganized or those that have been reorganized, I do not mean to infer that there are

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The Future Of Interest Rates

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money governs, not the rate of interest, but the level of commodity prices. The following passage, typical of this old view, is taken from Taussig's **Principles of Economics,** 1920 edition, Vol. II, page 5:

"We may brush aside, not only the notion that interest arises from the use of money, but that the rate of interest depends on the quantity of money. More money makes higher prices, not lower interest. The connection which does exist between the rate of bank discount and the quantity of money held by banks has been sufficiently explained; this bank rate oscillates above and below what may be called the true rate of interest—the return on steady investments. In the exposition which follows, this essential rate of interest will be had in mind."

The present writer, who has never accepted the quantity theory of money, became convinced many years ago that this dogma of the quantity theory of money was unsound. In my **Value of Money,** first published in 1917, I held that an increase in the quantity of money would lower interest rates, first short-term money rates and then, if these continued low for a considerable period of time, finally long-term rates. I rejected the notion that bank rates merely oscillate above and below the long-time rate of interest, finding a clear tendency for short-term rates to be lower than long-term rates and for the call rate, despite its occasional flights to high levels, to be lower than all time rates. I placed heavy emphasis upon the liquidity factor, emphasizing that the more liquid loans, and the more readily marketable bonds, would command lower rates than less liquid loans and less marketable bonds of equal safety. I concluded that it was a mistake to look for the pure long-time rate of interest in the yield on gilt-edged, readily marketable bonds, because the liquidity factor pulled down the rate on these bonds, and I was disposed to find the pure long-time rate in the rate on safe mortgages and other safe fixed investments. I recognized, too, that the notion of **one** pure rate of interest was a myth, but regarded it as a useful theoretical concept which concentrated attention on a highly important set of causes affecting actual interest rates.†

I recognized, too, contrary to the traditional view, that new bank credit could be a real source of capital without preliminary abstinence or waiting on the part of savers.‡

In 1920, in an address before the Indiana Bankers Association, the writer offered the following doctrine with respect to the nature and sources of capitals.§

Capital consists of the produced means of production. It consists of railroads and bridges, of factories and machinery, of stocks of raw materials, of flocks and herds, of orchards, of sub-soil drainage, of fences and barns, of stock of goods on the merchant's shelves. Capital grows as men consume less than they currently produce.

There are five main sources of capital. The first is consumer's thrift. A man has an income of $5,000. He and his family spend $4,000 a year in current consumption, and the remaining $1,000 is available for the purchase of a railroad bond, or for a loan on mortgage, or for the building of a home, or for deposit in a savings bank which in turn will buy a railroad bond or lend on mortgage, or for the expansion of the individual's business, or the starting of an independent business enterprise. It was this source of capital which the older economists chiefly stressed. It is very important. To the extent that the saver refrains from immediate consumption, less hats and shoes and ice cream are produced. To the extent that he invests in any of the forms indicated, more machinery, more railroad terminals, more houses, more goods on shelves, more things which will give forth their services in the future are produced. His decisions, to the extent of his economic power, turn the activities of the community toward producing for the present or toward producing for the future. There is a back-and-forth play between the rate of interest and his decisions to save. When savings are large, rates of interest tend downward. When rates of interest are high, more saving is induced.

The second great source of capital, the importance of which we were just beginning to recognize in 1920, is business savings and, above all, corporate savings. David Friday in his **Profit, Wages and Prices,** published in 1920, was the pioneer in emphasizing its importance and in undertaking to measure it for the United States. The turning back of corporate earnings to surplus has been a major source of capital in our history and a major source of our economic growth. Public policy which restricts this, such as the undistributed profits tax, or corporation taxes so high as to prevent the accumulation of adequate surpluses and reserves, does the country incredible harm.

The third source of capital is direct capitalization, particularly important in agriculture, though important also in small shops and factories and in homes. It comes when the farmer or the home owner uses his spare time in painting his buildings, in building fences and barns, in putting in sub-soil drainage. It is the product of labor rather than of saving. It involves no money intermediation. It comes when the farmer lets his flocks and herds increase instead of selling off the whole of the annual increase. One able Italian authority expressed the opinion to me in 1937 that the capital created by the Italian peasant, as he cleared his land of rocks and fertilized his land and terraced it, increased the number of his goats, etc., was practically offsetting the damage Mussolini was doing that year to the capital of the country by his fiscal deficit.

A fourth source of capital is governmental thrift, taxation for capital purposes—formerly very important in the United States. When the State taxes inheritances at high rates and uses the proceeds for current expenses, it is dissipating capital. But when the State taxes incomes and uses the proceeds in paying down public debt, it is creating new capital. The retirement of Government bonds puts into the hands of the bondholder funds which he will reinvest in industrial or railroad bonds or in other capital uses, and increases the supply of funds in the capital market in the same way that the savings of the individual consumer do. Our Federal Government had a magnificent record in this respect down to 1933. It had increased public debt down to that date only for war or for temporary emergencies, and had always promptly set about reducing the debt when the emergency was over. The one exception was the borrowing for the Panama Canal. For that we planned to borrow something like $300,000,000, but we did in fact borrow only $135,000,000, because fiscal surpluses provided the rest. All of our river and harbor improvements, all of our Federal public buildings, our Federal contribu-

†See **Value of Money**, New York, Macmillan, 1917. New edition, New York, Richard R. Smith, 1936. Page references in index under "Interest," and "Money Rates."

‡**Ibid.**, pages 484, n.; 484-89; ch. XXIV.

§Published in **The Chase,** the house organ of the Chase National Bank of the City of New York, November, 1920. See also "Bank Money and the Capital Supply," **The Chase Economic Bulletin,** November, 1926, and "Eating the Seed Corn," **The Chase Economic Bulletin,** May, 1936.

OFFICERS 1941-1942

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tions to highways, our navy, our army posts—all were paid for out of taxes, rather than out of borrowing. Since 1932 the trend has been overwhelmingly the other way, and the Federal Government has been dissipating capital.

The fifth source of capital is new bank money. To many of the older economists this doctrine would be anathema. How, it would be asked, can the mere interchange of two liabilities create capital? A borrower gives the bank his note, his liability, and in exchange the bank gives the borrower its liability, a deposit credit. How does this create capital? And yet for the borrower it is enough. Armed with the new deposit credit, he can go into the market and divert labor and existing resources from the production of hats and shoes to the production of a machine. He may, in the course of this, shorten the supply of consumer goods and force an involuntary abstinence on the part of the consumer, but a machine is created which would not have otherwise been created. If he gets the loan at a time when business is slack, he may even have the new machine without forcing any abstinence upon the consumer. It must be recognized that, held within limits, this is a real source of additional capital, and that properly handled is a safe source of capital.

This would have seemed very strange and weird to Adam Smith, who held, and properly in the circumstances of his day, that a bank could safely lend only for short-term purposes, could lend to the merchant or manufacturer only those funds which would be quickly returned by the sale of moveable goods, and must lend no part of the funds needed for the forge or the smelting house. Only the individual capitalist who could wait many years for his money was justified in doing that.

But when the forge and the smelting house are represented by shares of stock or by bonds in thousand-dollar denomination, and when a broad and active stock market exists in which the shares or the bonds may be readily sold, the banker who lends against these as collateral may quickly get his money back, and the forge and the smelting house may come to the money market and get bank money.

One of the great essentials for economic progress is that capital should grow more rapidly than debt. When we examine the five sources of capital listed above, it is clear that the first four increase capital much more rapidly

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NY Savings Banks Report Gain In Govts.

Primarily as a result of the heavy increase in new savings deposits during the first six months of 1943 the Savings Banks of New York State added $368,000,000 to their holdings of Government securities. Total United States Governments held by the Savings Banks on July 1st were $2,707,000,000 or approximately 46.5% of their deposit liability on the same date said the Savings Banks Association of the State of New York on Aug. 18, its announcement adding:

"The additional purchases of Governments during this period were made possible largely as a result of the gain of over $242,000,000 in deposits and, to a lesser extent, by transfers from other types of investments including those made available from the amortization of mortgages.

"Another record gain in deposits is reported for the month of July when there was an increase of 23,649 in savings accounts and $53,608,882 in deposits. This breaks the all-time record established in June. War Bond sales were up, too, the total for July being $20,993,361.

"The combined total of net gain in deposits and War Bond sales for the last three months is over $208,201,000 and the gain in savings accounts is 65,037.

"The record for the first seven months of 1943 is as follows:

Net gain in dollar deposits	$292,252,000
Net gain in new accounts	125,069
Total War Bonds sold	$149,363,000

"Dollar deposits and number of accounts are at an all-time high with $5,866,607,299 on deposit and 6,127,253 accounts.

"With more people saving, and with people saving more, the September War Loan Drive should break all records both in volume of bonds bought and the number of people buying them."

"Railroad Securities In Post-War Era"

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not other purchases in the solvent field that are good. But I say, if Southern Pacific is good—and I think it is—and if Southern Railroad is good, and if Illinois Central is good, in other words, if the danger of bankruptcy has been removed, and in all those cases I think it has, I still think I would rather have the income bonds of this, that and the other railroad that have already reduced their fixed charges 70%, than I would the junior bonds of the borderlines which are doing a good job but which still have a long way to go to catch up with these, because obviously the leverage is in the ones that have been reorganized and are being reorganized.

"This chart is the New Haven. The New Haven could lose almost 65% of its business and still cover the preferred; over 70% of its business and still cover the income bonds; and probably over 80% of its present business and still cover the first mortgage interests.

"(Chart) The Rock Island, which is one of the most drastic reorganizations—and, understand, these figures are actual and do not reflect changes in management; they do not reflect the fact that they were in bankruptcy, probably spending more than solvent roads were spending for maintenance—they could lose 47% of their business and still cover the preferred, over 50% and still cover the income interest, and over 65% and still cover the first mortgage payments.

"(Chart) The St. Louis-San Francisco, another very drastic reorganization, could lose 45% of their business and still cover the preferred, over 53%, and still cover the income bonds, and over 63% and still cover the fixed charges.

"(Chart) This historical record does not reflect the changes, the efficient methods, and so on, that have been introduced in the railroading business in the last few years.

"The Denver could lose 35% of its present business and still cover the preferred dividend, 42% and still cover the income charges, and over 75% and still cover the first mortgage interest.

"All those I have mentioned, with the exception of the Erie and the Wabash, have to be purchased through the medium of the old securities, because the new securities are not being traded as yet.

"In this case, however, the new securities are being traded, as and if issued. I think the income securities sell around 50, and the preferred around 40 or 41.

"(Chart)" In this case the Northwestern could lose 38% of their business and still cover the preferred, over 70% of their business and still cover the income bonds, and probably 85 or 90% of their business and still cover the first mortgage bonds.

"Now I think this concludes the formal part of this meeting. I want to express my appreciation to the officers of this organization. This is a repeat visit on my part, and I understand that is unusual. I appreciate it, and also to the many friends I have outside of the securities business, I thank you for coming this afternoon."

Now, with your permission, I will answer what questions you might have, if I can.

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W. E. Burnet Opens Formula Plans Dept.

Among the many interesting developments in the departure of Stock Exchange member houses from the conventional is the "Formula Plans" department of 74-year-old W. E. Burnet & Co., 11 Wall St., New York City. "Formula Plans," according to H. G. Carpenter, manager of the new department, "are the concrete expression of an investment school of thought which has been developing gradually and quietly during the past 10 or 12 years. This school," says Mr. Carpenter, "believes that without assuming the hazards of forecasting, advantage may be taken of fluctuations even though their direction or extent cannot be predicted."

Mr. Carpenter is known in financial circles for his books, "A Successful Investor's Letters to His Son" (1935—Simon & Schuster) and "The Letters of an Investment Counsel to Mr. and Mrs. John Smith" (1939—Harper). His new book, "Investment Timing by Formula Plans," will be released by the publishers, Harper & Brothers, on Sept. 8.

H. H. Blizzard & Co. Admits Scott, Gurney

PHILADELPHIA, PA. — Announcement is made by Major Herbert H. Blizzard, A. C., of the investment brokerage firm of Herbert H. Blizzard & Co., 123 South Broad St., that Elizabeth K. Scott and Henry B. Gurney, Jr., who have been associated with his firm since its inception, have been admitted to general partnership.

The Future Of Interest Rates

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than they increase debt. Capital accumulated by individual thrift will increase debt if the saver buys bonds or lends on mortgage or puts his money into a savings bank. But if he uses his savings as proprietor's funds in an enterprise, or to build a home, or to reduce debt already contracted, or to buy corporate shares, he is not increasing debt. Corporate thrift increases capital without any increase in debt at all. Public thrift, taxation for capital purposes, including the paying down of public debt, means a growth of capital with a reduction in debt. Direct capitalization involves no creation of debt. On the other hand, capital created by expanding bank credit means a dollar-for-dollar increase in debt with the growth of capital. From this point of view, if from no other, it is obviously the source of capital to be used most cautiously.

The first four sources of capital are absolutely sound and wholesome. No country has ever overdone any of them. The doctrine of "over-saving" rests on a misinterpretation of phenomena growing out of excessive bank expansion. We have many times had too much bank expansion. We have never had any excess of capital created from the first four sources.¶

Credit and debt are identical. There is no creditor without a debtor, and no debtor without a creditor. Expansion of bank deposits is the creation of debt, the debts of the banks to the people or their government in exchange for the liabilities of the people or the government. The ability of the banks to repay their debts depends upon the quality and liquidity of the debts which the banks take in exchange. An immense expansion of bank credit almost inevitably means a deterioration in the quality and liquidity of the assets of the banks, namely, the debts against which they have expanded their own debts.

This is true even when bank credit is expanding against debts created for productive purposes. When bank credit is expanding as a substitute for the savings of the people in financing war and destruction, and when the assets of the banks rest primarily on the future taxing power of the government, caution is obviously indicated. Excess here has been the typical breeder of "inflation" through all modern history. Usually it has been bank notes of central banks of issue. But deposits are also demand liabilities, and are also susceptible to abuse.

Perspective on this is given by some comparative figures. In the last war, between mid-April, 1917, and December 31, 1918, we expanded commercial bank credit in the United States by 5 billion 800 million dollars in deposits and 7 billions in loans and investments. We pursued a very conservative financial policy in the last war. The money market was firm. Every effort was made to hold down bank expansion. The government made interest rates on bonds which attracted the people's money. The great bulk of the public debt was placed with the people rather than with the banks. This expansion of bank credit was adequate to win the war.

In the period from June 30, 1922 to mid-April, 1928, without any need for it, but as the result of cheap money policies on the part of the Federal Reserve system and of in-flowing gold, we expanded commercial bank credit in the United States by 13½ billion dollars in deposits and by 14½ billion dollars in loans and investments. The effect of this was to mask the underlying shortage of real capital from the four normal sources of capital in a world which had spent four years in war and four more years in waste and disorganization after the war. The world ought to have had high rates of interest (a) to compel economy in the use of such capital as was available, and (b) to encourage additional saving. But on a vast scale, we substituted bank expansion for savings, pulling down interest rates. We created a great deal of physical capital in the world, but we created also an unmanageable debt, which first generated the high interest rates of late 1928 and 1929, and subsequently brought about the demoralization of 1931 and 1932.

We are now expanding bank credit against government securities on a scale which makes the 1922-28 episode look very modest, and we are maintaining absurdly low interest rates while we do this. How far can we go?

I have heard the view expressed that we now have new techniques which make this safe. I see very little in the way of new techniques. I see rather an altogether exaggerated employment of old techniques. In the matter of open market operations by the Federal Reserve banks, for example, in the last war we used them for a few days at a time to facilitate the flotation of each of the four great Liberty loans. In connection with each of the first three Liberty loans the Federal Reserve banks bought some tens of millions of government securities and held them for a few days to grease the wheels while the great loan transactions were put through, adding for a few days to the reserves of the member banks to prevent an undue tension in the money market. In connection with the fourth Liberty loan of 7 billion dollars, the transactions were larger, exceeding 200 millions of dollars, but again only for a few days. The Federal Reserve banks were not continuous holders of government securities at any stage of the last war.

In 1924 and 1927 the Federal Reserve banks bought several hundreds of millions of government securities and held them for many months, generating an altogether startling increase in the volume of bank credit.

In the present period, the Federal Reserve banks have

¶"Eating the Seed Corn," Chase Economic Bulletin, May, 1936, pages 30—37.

5,801 Additional New Freight Cars Authorized

The Office of Defense Transportation has found it possible to provide for the construction of an additional 5,801 new freight cars in 1943 out of steel allocated to the railroad industry for the third quarter, it was announced on Aug. 11. The addition of the 5,801 new cars to the approximately 26,000 already authorized will mean that upwards of 32,000 new freight cars will be produced this year, ODT officials declared.

The breakdown of the 5,801 cars according to type is as follows: Box, 2,724; gondola, 262; hopper, 2,150; refrigerator, 300; flat, 365.

Many of the principal car builders and some railroad shops will participate in the construction of the new equipment, it was pointed out.

bought government securities in terms, not of tens of millions or of hundreds of millions, but of billions, replenishing the reserves of member banks and permitting them to expand credit at low rates of interest against government securities. Between February of 1942 and April of 1943 the Federal Reserve banks bought over 4 billions of government securities, the monthly average figure for February, 1942, being 2 billions 249 millions, and the monthly average for April of 1943 being 6 billions 372 millions. This is no new technique, but the vast scale of its use makes one ponder.

In the last war Federal Reserve rediscount rates were held below the market to facilitate war financing, but they followed the market up as the war went on. The New York Federal Reserve Bank placed its rediscount rate at 3% in 1917, moved it up to 3½% at the end of the year and to 4% early in 1918, still holding it, however, below market rates. At the present time the Federal Reserve rediscount rate is one-half of 1% for advances secured by government obligations maturing or callable in one year or less. Here again there is no new technique, but merely an extreme application of an old one.

The Federal Reserve authorities now have power to reduce the reserve requirements of the member banks and they have already done this so far as New York and Chicago banks are concerned. But in the last war we reduced member bank reserves by Act of Congress in 1917. There is no new technique here, though the power to go very much further in this connection is in the hands of the Federal Reserve system, and those who see no reversal of Federal Reserve policy with respect to money rates are anticipating that it will be fully used. I believe that there is no validity at all in the contention that new techniques have made the abuse of bank credit safe.

I have seen calculations which would indicate that the capacity of bank credit to expand and to take government bonds is very great, if no question is raised as to the credit of the government and if there are no currency disorders. By pushing the capacity of the Federal Reserve banks to expand to the legal limit, which would pull down their reserves to 40% against notes and 35% against deposits, great additions can be made to the reserves of the member banks. It is to be observed, however, that this leeway is being used up rapidly. The ratio of total reserves of the Federal Reserve banks to note and deposit liabilities combined stood at 90.4% in April of 1942 and at 75.8% in April of 1943. Moreover, excess reserves, which stood at nearly 7 billions in early 1941, dropped below 1½ billions on June 23, 1943. We are using up ammunition very fast. It is technically possible to go a great deal further, however.

Further reduction of the reserve requirements of the member banks can make further expansion possible, particularly since the reduction of the reserve requirements increases the multiple of expansion against excess reserves. But it can hardly be contemplated that we will push the Federal Reserve ratios to the legal limits, or member bank reserve requirements to the lowest legal limits, when we face the probable withdrawals of refugee gold in the post-war period, and the need for flexible bank credit in the post-war readjustment.

There are indeterminate elements in these calculations. One must forecast the extent to which money in circulation will increase as the process goes on, which would pull down the magnitude of the expansion, and one must make assumptions regarding the volume of private loans that the banks will be called upon to make if a great rise in prices comes and the industries are obliged to turn to the banks to increase their working capital funds. At the moment such loans are going down, because the government is financing so much of the industrial expansion.

There are advocates of cheap money policy who would rest their position on the doctrine of J. M. Keynes, who rejects entirely the so-called "classical theory" of interest, who rules out time preference and compensation for waiting in the explanation of interest, and makes the whole determination of the rate of interest rest on liquidity preference as against the supply of money. If only money can be made plentiful enough to glut sufficiently the desire for hoarding on the part of those who wish to remain liquid, interest can be held at any desired low figure, according to the Keynesian doctrine. I regard this doctrine as an absurd exaggeration of one factor in the theory of capital and interest which I have given above. But to those who believe in the Keynesian theory, I would point out that Keynes has himself abandoned it. In his book, **The General Theory of Employment, Interest and Money**, page 167, he states the theory, and indicates explicitly in a footnote that the theory applies not merely to short-term rates, but also to the complex of various rates of interest for different periods of time. But by page 197 of this same book, he complains that the open market operations of the Federal Reserve banks in the United States in 1933 and 1934 were limited to the purchase of very short-dated securities, the effect of which may "have but little reaction on the much more important long-term rates of interest." On pages 205 and 206 he suggests that the monetary authority be prepared to deal in debts of all maturities and even in debts of varying degrees of risk. He concludes, "Perhaps a complex offer by the central bank to buy and sell at stated prices gilt edged bonds of all maturities, in place of the single bank rate for short-term bills, is the most important practical improvement which can be made in the technique of monetary management."** This, I submit to the Keynesians, is a complete abandonment of the theory that the supply of money in relation to liquidity demands can govern both long and short term rates of interest. And I would call their attention further to Keynes' warning on page 207 as to what happens to the rate of interest when a flight from the currency comes.

I think that there are two objections prominent in the minds of men who hesitate, when the suggestion is made that the Treasury ought to make rates of interest that will attract investor's funds, and that the Federal Reserve system ought to tighten the money market to limit bank expansion. The first is concern as to what would then happen to the banks which now hold long-dated governments. On this point, I would say that this problem becomes greater and less easily manageable the longer we defer it. The solution which I have offered for it is that the banks holding long-dated governments be allowed to subscribe for the new higher yield issues with their old bonds, on terms somewhat less favorable than those given to cash subscribers, say at 98% of par. There may be better solutions, but in a case we should have one ready.

The second objection relates to the interest charge on the public debt in post-war years. If the Treasury were using the existing easy money to place long-dated bonds with investors, the point would have merit. But when the Treasury is financing itself so largely, so far as investors are concerned, with war savings bonds which are in effect demand deposits after a short time, and when, looking at the whole picture, it is clear that the Treasury must refund a great deal of its debt in a comparatively few years, the point seems to have no validity. We had better face the realities of the future interest burden now. Facing its realities would give immense impetus to the move for economy in spending even in the midst of war, and in particular might make the Treasury a strong advocate of doing away with the forty-hour week for the duration of the war, and of 50% overtime payments beginning at forty hours in work on government contracts as well as elsewhere.

I think that the Treasury can get a great deal of money from the people at interest rates below those at which we sold Liberty bonds in the last war. Those rates, beginning at 3½% on a fully tax free bond in the first Liberty loan, went up to 4¼% on a partially tax exempt bond in the fourth Liberty loan. The immense bank expansion which has already taken place has created vast sums of idle money owned by the people which the government can now get at moderate rates of interest. Patriotism by itself won't take bonds with present low coupons in adequate quantity, but patriotism, plus vigorous bond selling by alert local committees, plus coupon rates intermediate between those on the Liberty bonds and those now prevailing would get a great deal of investor's money. The rates might have to rise progressively, but could still be kept moderate, if we have a prompt facing of financial realities. I think that the Treasury should move promptly to fund its debt into long time bonds in the hands of the people while unused bank deposits are so great, and while moderate coupon rates are still possible. I think, too, that such a return to financial orthodoxy would greatly strengthen the fabric of confidence in Government finance, in the future of the currency, and in the whole economic picture.

Something like this may now be part of Federal Reserve policy. See **Federal Reserve Bulletin, July, 1943, page 590.

The CHRONICLE invites comments on the views expressed by Dr. Anderson in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York (8), N. Y.

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Extension Of Credit On Unlisted Securities

By OWEN V. VAN CAMP

Vice-President Enyart, Van Camp & Co., Inc., Chicago, Illinois

Prior to the enactment of the Securities Act of 1934 there does not appear to have been any statutory restriction covering the types of securities which could be carried in margin accounts by security dealers and brokers. It is generally recognized that listing alone should not constitute a yardstick whereby the desirability of any particular stocks or bonds as security for the extension of credit may be measured.

With the enactment of the Security Act of 1934 it became "unlawful for any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member" to extend credit or arrange for the extension of credit on so-called over-the counter securities. Many authorities are of the opinion that this law resulted almost immediately in the curtailment of transactions in such high-grade securities as the stocks of the better-known banks and insurance companies of the country and certain well-known corporations whose securities were actively traded in the over-the-counter market but which were not listed on any national securities exchange.

Owen V. Van Camp

Exchange members and others who formerly accepted such securities as collateral to margin accounts were obliged under the law to eliminate them and such eliminations in many instances resulted in the debtor being obliged to dispose of them to his disadvantage.

One of the reasons advanced for this drastic action was that there were no means for obtaining bid and asked quotations on unlisted securities which were authoritative and could be relied upon. This is no longer the case as the National Association of Securities Dealers, Inc., has taken over the control, through an appropriate Committee, of the giving out of quotations to the press. Another reason was that the trading of stocks and bonds on exchanges was governed by very strict rules and over-the-counter transactions were not so controlled.

With the passage of the Maloney Act, which has established a means of control and supervision of over-the-counter houses, it would seem that that argument no longer has merit and the retention of the prohibition in the Securities Act of 1934 tends to work a hardship not only on the brokers and dealers who are specializing in over-the-counter securities but also on Exchange members who undoubtedly could increase their volume of business if they were permitted to accept unlisted securities as collateral and to extend credit against them. This should result in an increased volume of such business and provide

(Continued on page 809)

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Dudley Heer	Armour & Co.	Chicago, Ill.
J. G. Heimerdinger	Walter Woody & Heimerdinger	Cincinnati
Frank G. Herman	First National Bank	Chicago
Mathew J. Hickey, Jr.	Hickey & Co.	Chicago, Ill.
Larry A. Higgins	Hulburd Warren & Chandler	Chicago
Wm. G. Hobbs, Jr.	Boettcher & Co.	Chicago
Ray Hofer	Ernst Co.	Chicago
Bert H. Horning	Stifel, Nicolaus & Co., Inc.	St. Louis
T. G. Horsfield	Wm. J. Mericka & Co.	New York
J. K. Hosher	Adams & Co.	Chicago
Duke Hunter	Hunter & Co.	New York
Pete Hunter	Baum, Bernheimer Co.	Kansas City
M. J. Isaacs	Straus Securities Co.	Chicago
Jim Jacques	Dallas Rupe & Son	Dallas
J. H. Jaffe	A. A. Bennett & Co.	Chicago, Ill.
Edward D. Jones	Edward D. Jones & Co.	St. Louis
John Kalb	Adolph Lewisohn & Sons	New York
Ed. Kelly	Carl M. Loeb, Rhoades & Co.	New York
E. J. Kelly	Merrill Lynch, Pierce, Fenner & Beane	Chicago, Ill.
Frank H. Kemp	Charles A. Parcells Co.	Detroit
B. F. Kennedy	Bosworth, Chanute, Loughridge & Co.	Denver
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W. J. Lawlor, Jr.	Hickey & Co.	Chicago
Martin Lazar	Brailsford & Co.	Chicago
A. D. Lee	Goldman, Sachs & Co.	Chicago
G. E. Lestrange	Moore Leonard & Lynch	Pittsburgh
E. L. Linder	Paine, Webber, Jackson & Curtis	Chicago
Corwil L. Liston	Prescott & Co.	Cleveland
Alden H. Little	Investment Bankers Assoc.	Chicago
L. E. Lubetkin	Seligman, Lubetkin & Co.	New York, N. Y.
Chester A. Lucas	Stein Bros. & Boyce	Louisville
Bert F. Ludington	Watling, Lerchen & Co.	Detroit
A. M. Maclaughlin	Vieth, Duncan & Wood	Davenport, Iowa
W. E. McCabe	McCabe Hanifen & Co.	Denver
George A. McDowell	Mercier, McDowell & Dolphyn	Detroit
Patrick B. McGinnis	Pflugfelder Bampton & Rust	New York
John A. McGreevy	J. S. Bache & Co.	Chicago
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Robert D. Mannix	Earl M. Scanlan & Co.	Denver
W. M. Macrury	Paine, Webber, Jackson & Curtis	Milwaukee
C. D. Mahoney	C. D. Mahoney & Co.	Minneapolis
Jerry Marquardt	William A. Fuller & Co.	Chicago
C. L. Martin	Traders National Bank	Okla. City, Okla.
Frank C. Masterson	Frank C. Masterson Co.	New York
Henry T. Mathews	Kneeland & Co.	Chicago
P. C. Matthews	Welsh, Davis & Co.	Chicago, Ill.
E. A. Mayer	Holley, Dayton & Gernon	Chicago
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Gordon Meeks	Gordon Meeks & Co.	Memphis
C. Edwin Mercier	Mercier, McDowell & Dolphyn	Detroit
Frank P. Meyer	First of Michigan Corp.	Detroit
Don W. Miller	McDonald Moore Co.	Detroit
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Cy Murphy	Mackubin Legg Co.	New York
J. H. Murphy	Cruttenden & Co.	Chicago
Roy C. Nelson	Nelson, Browning & Co.	Cincinnati, Ohio
Wm. Nelson	Bear, Stearns & Co.	Chicago, Ill.
Chris. N. Newpart	Merrill Lynch, Pierce, Fenner & Beane	Chicago, Ill.
Lowell Niebuhr	Lowell Niebuhr & Co.	Chicago
C. Nongaarp	A. A. Bennett & Co.	Chicago, Ill.
R. C. Nongard	Stifel, Nicolaus & Co.	Chicago
L. F. North	Wisconsin Co.	Milwaukee, Wis.
James J. O'Connor	Doyle, O'Connor & Co.	Chicago
W. O. Olsen	Kneeland & Co.	Chicago
Lt. Col. Kenneth Owens		Camp Grant
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Carr Payne	Cumberland Securities Corp.	Nashville
J. Lee Peeler	First Securities Corp.	Durham
Joseph G. Petersen	Eckhardt-Petersen & Co.	St. Louis
Herbert Pettey	Equitable Sec. Corp.	Nashville
Wm. H. Pflugfelder	Pflugfelder, Bampton & Rust	New York
M. B. Pilcher, III	Gray Shillinglaw & Co.	Nashville
B. Winthrop Pizzini	B. W. Pizzini & Co.	New York
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C. G. Powell	Baker, Walsh & Co.	Chicago, Ill.
Norman J. Powers	Kneeland & Co.	Chicago
Wm. B. Prugh	Prugh, Combest & Land Inc.	Kansas City
Henri P. Pulver	Goodbody & Co.	Chicago
James Quigg	Paine, Webber, Jackson & Curtis	Chicago
Edward Quinn	J. P. Blaney & Co.	Chicago, Ill.

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Extension of Credit On Unlisted Securities

(Continued from page 808)

a much wider market for unlisted securities than that which exists at present. Therefore, all brokers, whether members of national securities exchanges or members of the National Association of Securities Dealers, Inc., are placed at a definite disadvantage when they are not permitted to extend credit on high-grade unlisted stocks and bonds when banks are permitted to extend credit on that type of security to the same individual who applies to the broker.

Changing the act to permit brokers to extend credit on unlisted securities will benefit the purchaser of such securities as well as the broker or dealer who sells them. The increase in volume, which it has been pointed out should follow a modification of the act, will afford a wider and more stable market for the client who desires to buy or sell. In some instances corporations having stocks or bond issues which are publicly held prefer not to list such issues or they are not sufficiently large to warrant listing. Such corporations should also benefit by improved facilities for a better market and wider distribution over the counter if their securities have sufficient merit to warrant their being accepted as security in margin accounts.

Very often the prospective buyer of such securities prefers to keep such a transaction confidential and does not want to go to his own bank for such credit accommodations. In other instances, a broker's client prefers to have all of his loans in one place and does not want to arrange to carry part of his secured obligations with his broker and the balance with his bank.

The foregoing are only a few of the reasons for favoring the passage of an amendment to Paragraph "C" of Section 7 of the Securities Exchange Act of 1934, whereby the resrictions in connection with the extension of credit on unlisted securities in so far as they apply to members of the National Association of Securities Dealers, Inc., and members of security exchanges might be removed or modified.

(Editor's Note — This article originally appeared in the "Financial Reporter" of October 17, 1940, and is reprinted at this time by request.)

Attendance At The Convention

(Continued from page 809)

R. G. Randall	Mason Moran & Co.	Chicago
John R. Ratcliffe	Miami Corp.	Chicago, Ill.
Glenn Ravenscroft	Ravenscroft & Co.	Cedar Rapids
E. P. Renier	Adams & Co.	Chicago
Carl H. Reusch	Fox, Reusch & Co.	Cincinnati
T. Leo Reynolds	Paul H. Davis & Co.	Chicago
Irving J. Rice	Irving J. Rice & Co.	St. Paul
Henry J. Richter	Scherck Richter Co.	St. Louis
J. D. Rocamore	Wertheim & Co.	New York
J. C. Rogers	Hickey & Co.	Chicago, Ill.
Stanley L. Roggenburg	Roggenburg & Co.	New York
John K. Roney	Wm. C. Roney & Co.	Detroit
Marvin Ruggles	Northern Trust Co.	Chicago, Ill.
James N. Russell	Gillis Russell & Co.	Cleveland
John J. Ryan	J. B. Hanauer & Co.	Newark
Joseph L. Ryons	Pacific Co. of Calif.	Los Angeles
Sam Sachnoff	First Natl. Bank of Chicago	Chicago
M. A. Saunders	M. A. Saunders & Co.	Memphis
Walter F. Saunders	Dominion Sec. Corp.	New York
Earl M. Scanlan	Earl M. Scanlan & Co.	Denver
Charles G. Scheuer	Valiquet & Co.	Chicago
P. A. Schroeder	Ernst & Co.	New York
Alexander Seidler	Julius A. Rippel, Inc.	Newark
Joseph W. Sener	Mackubin, Legg & Co.	Baltimore
W. J. Sennott, Jr.	Clement, Curtis & Co.	Chicago
Glenn Shales	Carter H. Harrison & Co.	Chicago
D. B. Sherwood	Stifel Nicolaus & Co.	Chicago
Jack C. Siegman	Edward Brockhaus & Co.	Cincinnati
R. W. Simmons	Lee Higginson Corp.	Chicago
Alfred D. Smith	Natl. Quotation Bureau Inc.	Chicago
H. B. Smith	Collins Norton & Co.	New York
E. W. Smoot		Washington, D.C.
Kermit B. Sorum	Allison-Williams Co.	Minneapolis
Wm. Spanier	A. A. Bennett & Co.	Chicago, Ill.
George Spaulding	Northern Trust Co.	Chicago, Ill.
C. Springer	Merrill Lynch, Pierce, Fenner & Beane	Chicago, Ill.
Wm. P. Springer	Carl Marks & Co.	Chicago
L. R. Staib	Geo. Eustis & Co.	Cincinnati
J. R. Stamp	Commerce Union Bank	Nashville, Tenn.
L. Montifore Stein	Bear, Stearns & Co.	Chicago, Ill.
J. F. Stephens	Barrett Herrick & Co.	Kansas City
L. J. Stirling	Hirsch Lilienthal & Co.	Chicago
Lud Strader	Scott Horner & Mason	Lynchburg
Fred Straus	Straus Sec. Corp.	Chicago
Robert Strauss	Strauss Bros.	Chicago
W. R. Stuart	Mason, Moran & Co.	Chicago
A. A. Sullivan	Equitable Securities	New York
John E. Sullivan, Jr.	F. L. Putnam & Co.	Boston, Mass.
William Sullivan	Sullivan Inv. Co.	Wichita
Willis M. Summers	Troster, Currie & Summers	New York
J. F. Tegeler	Dempsey-Tegeler & Co.	St. Louis, Mo.
Wm. F. Thompson	Greene & Co.	New York
Herman Tornga	De Young, Larson & Tornga	Grand Rapids
R. Trigger	Invest. Dealers Digest	New York
Fred Ungeher	Rogers & Tracy, Inc.	Chicago
W. M. Uphaus	Bear, Stearns & Co.	Chicago, Ill.
Owen V. Van Camp	Enyart, Van Camp & Co.	Chicago, Ill.
B. H. Van Keegan	F. C. Masterson & Co.	New York
Kenneth Van Sickle	Kenneth Van Sickle Inc.	Emporia
T. M. Wakeley	A. C. Allyn & Co.	Chicago
Donald F. Wales	Continental Casualty Co.	Chicago, Ill.
Louis E. Walker	Natl. Quotation Bureau Inc.	New York
Robert A. Walsh	Dempsey, Tegeler & Co.	St. Louis
Carroll Ward	Hoit, Rose & Troster	New York
C. W. Weathers	City Securities Corp.	Indianapolis
Arthur Webster	E. W. Price Co.	Kansas City
J. H. Weil	Weil & Arnold	New Orleans
E. H. Welch	Sincere & Co.	Chicago
Jay N. Whipple	Investment Bankers Assoc.	Chicago
George H. Williams	Kennedy & Co.	Philadelphia
Buford G. Wilson	Jack M. Bass & Co.	Nashville
L. A. Wingader	John Nuveen & Co.	Chicago, Ill.
Lee Wolf	A. G. Becker & Co.	Chicago
F. C. Woolard	Kneeland & Co.	Chicago
Robert M. Woolfolk	Woolfolk, Huggins & Shober	New Orleans
J. F. Tegeler	Dempsey, Tegeler & Co.	St. Louis
Warren W. York	Warren W. York & Co.	Allentown
H. Zeigler		
Israel Zippin	Zippin & Company	Chicago

Utilities Need A War-Time Moratorium On "Death Sentence"

(Continued from page 782)

organization of holding companies. The first of these, United Gas Improvement, organized in 1882, controlled properties located largely in Pennsylvania and Connecticut, and had all holding companies been of this type there would have been little cause for complaint. But in the hectic 1920s the investing public was suddenly converted to the attractiveness of common stocks as long-term investments, on the theory that investment in good companies grew more or less automatically at a compounded rate, because these companies reinvested part of their profits in their own businesses.

This idea of accelerating growth was immediately exploited. Since chain stores were a growth industry, the public was induced to discount the future and pay 30 to 40 times current earnings for stocks like A & P and Woolworth. A little later, utility holding company stocks had a similar play, as statisticians pointed out the wonderful growth record of the industry. Taking advantage of this public attitude, promoters like Insull, Hopson, Foshay and lesser lights exploited the public crave for utility stocks by forming new holding companies, sometimes with as many as four or five tiers of super-holding companies in one system, and each with its own bonds and preferred stocks held by the public. Thus, what were originally true values were pyramided to dizzy heights.

The stock market crash of 1929-1932 put some of these new companies into bankruptcy, although legitimate holding companies remained in sound condition, and considerable resentment was aroused among security holders against the promoters of these economically unjustified super-holding companies. Accordingly, the whole affair was converted into a political issue, and when the present Administration came into power one of its early achievements was adoption of the comprehensive Public Utility Holding Company Act of 1935. Although this Act, created primarily for the protection of the public as consumers and investors, contained many praiseworthy provisions to create a higher standard for utility financing and accounting, it also set out a confused program for dissolving a large part of the holding companies of the country.

While the SEC has not yet forced the actual liquidation of holding company portfolios through "barrel-head" sales of operating subsidiary equities, the recurring threats of such liquidation have undermined the confidence of investors in not only holding company but operating utility securities. According to an estimate of the writer, published in Public Utilities Fortnightly of March 4, 1943, investors had lost some $6,000,000,000 as of Dec. 31, 1942, through SEC activities under Section 11 of the Holding Company Act, which contains the "death sentence." Since that time, there has been some recovery in market values, but that loss would still be on the order of $5,000,000,000.

Even at present levels, Standard and Poor's index of 8 operating utility stocks shows their value to be lower than at any time in the years 1926-1931, while the average index value of 16 holding company stocks is currently below the lowest levels of the entire period 1923-1940, except for 1935, when the Holding Company Act was before Congress, and for 1938, when the year's low price about equalled the present level. Obviously, the forced liquidation of holding company portfolios under these market conditions offers the prospect of substantial loss to owners of holding company securities.

Four or five years' time has been wasted, moreover, by the SEC in "shadow boxing" with the holding companies over the proper interpretation of Section 11 of the Act, and the powers of the Commission thereunder. The utilities were asked, is it true, to submit voluntary plans for compliance with the Act, but since they were not advised as to how the Act was to be interpreted, all these plans, with the exception of those submitted by American Water Works and a few smaller systems, were discarded or disregarded. In some cases, the companies were left entirely in the dark for a considerable period of time as to whether the Commission approved of any part of the plan submitted, or whether its silence was to be interpreted as complete disapproval.

The SEC's timetable, furthermore, has been highly unstable in the past. Plans submitted by some holding companies have evoked no affirmative action by the Commission over long periods of time, as witness the long-pending plan of United Gas Corporation, while others have been handled with a fair degree of dispatch. And not until the threat of war loomed across the Atlantic did the SEC begin really to "press" for a "rapid compliance" with the "death sentence" provisions of the Act.

Since Pearl Harbor, however, when utilities have been straining every effort to meet war-expanded demands for service, they have begun to feel the full brunt of the SEC's authority under Section 11 of the Act. Not only are our electric utilities called upon to supply close to 70% more power than in the pre-war period, but they are forced to do the job with sharply reduced man-power. As of the end of 1942, Consolidated Edison reported that one of every six active employees on the payroll at the close of the preceding year had left their employ, most of them to enter the country's armed services or war industries. In its latest annual report, Electric Bond & Share Company stated that about 15% of system employees in the United States had joined the Nation's armed forces. And Electrical World estimates the electric light and power industry had only 245,000 employees in 1942, compared with 270,000 a year earlier, or a decrease of 9%.

Yet, careful investigation in the industry reveals that some 90% of the work required to carry out the SEC's integration program still remains ahead of registered electric and gas utilities, despite the fact that an estimated 1,725,-

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400 man-hours of work on the program has been expended by utility employees in the first 20 months following declaration of war by this country, following Pearl Harbor. Based on this figure, a conservative estimate of the total time devoted to the integration program by utility employees since the Holding Company Act was approved would be on the order of 5,000,000 man-hours, which leaves somewhere around 45,000,000 man-hours of work still to be done. In other words, the work still to be done under the "death sentence" activities of the SEC would require the fulltime efforts of 22,000 utility employees for one year, to say nothing of the time of utility executives and commission personnel. And when it is recognized that the war-depleted staffs of utilities, in addition to integration work, must devote even much more time to original cost activities instituted by the Federal Power Commission, the while rendering efficient and unimpaired service to our war industries, the magnitude of the triple burden imposed upon them begins to take shape.

This burden, moreover, is not borne by holding company personnel alone. Operating company executives and department heads also must contribute long hours to the preparation of questionnaires, exhibits, briefs and testimony. They are "on call" and must drop their regular duties to go to Philadelphia and attend SEC investigations and hearings, whenever the Commission sends for them. Only recently, at the suggestion of one of its examiners, the SEC decided to permit "canned testimony" to be submitted in lieu of long oral presentation of prepared statements. This will save valuable time, and is a step in the right direction, but the load on both the SEC and the utilities still will be tremendous.

Many dissolution plans are approaching a critical point, and many important decisions must be made in the coming year. North American Company, for example, has just submitted a voluntary plan for creating a number of subholding companies and revamping its capitalization, hearings on which are to begin Aug. 31. Likewise, hearings began on Aug. 23 on the plan of the Associated Gas & Electric's Trustees to merge the two top companies, recapitalize them and similar proposals, as well as on the Stix alternate plan. And Niagara Hudson Power Corporation has proposed a sweeping merger and recapitalization program which the SEC doubtless will take up after hearings before the New York Public Service Commission have been completed.

The SEC has, in addition, just handed down a 52-page findings and opinion, to which numerous appendices are attached, rejecting United Corporation's dissolution plan, but leaving the door open for a new plan. The huge Electric Bond and Share system, with properties scattered throughout the United States and South America, has numerous issues before the Commission which have not yet been settled, since only one of its subholding companies, National Power & Light, has made real progress toward dissolution.

Furthermore, Cities Service, the hybrid oil and utility system, which would gladly get rid of its utility properties if possible, recently received its "death sentence" order and doubtless will present new proposals to the SEC, its proposal of two years ago having been ignored by the Commission. Middle West is in the midst of a comprehensive dissolution program, but important issues regarding "subordination" remain to be settled. Columbia Gas & Electric still awaits the commission's decision regarding separation of its gas and electric properties. Standard Gas & Electric and Commonwealth & Southern in recent months presented elaborate integration plans to the SEC, on which hearings are under way. And in addition, there are a host of smaller plans and problems demanding attention.

As a result, there has been considerable delay on the part of the Commission in considering proposals made for refunding operations, for the repurchase of securities and similar matters, and in some cases these delays have proved costly to the companies involved, due to subsequent advances in the security markets. Thus, on March 11, Electric Bond and Share asked the SEC for permission to spend $15,000,000 for the repurchase of its preferred stock in the open market. At that time the 6% preferred was selling around 61. But the Commission's decision on this relatively simple question, the third in a series of similar requests, was not forthcoming until July 2, by which time the stock had advanced to 69½, or 13% higher than when permission was sought.

The pressure of war time activity has forced moratoriums on many of our normal peace-time programs. Both the Commission and the companies are greatly handicapped at this time in dealing properly with the manifold problems involved in the enforcement of Section 11 of the Holding Company Act. Moreover, war time conditions make it particularly difficult for utilities to effect sweeping changes necessary to carry out the "death sentence" orders. In many cases, sales of operating subsidiaries could be made only to municipalities or other tax-free power districts or "authorities," but the burden of war financing, and the pre-occupation of voters, make even such sales difficult.

While the present improved market for utility stocks might permit a few offerings of common stock issues (the public sale of Idaho Power's common stock by Electric Power & Light is expected shortly), only a few of the great number of potential offerings could be successfully marketed under present conditions, and much better prices could doubtless be realized in the post-war period when some tax relief may be obtainable. Is it fair to penalize utility security holders by forcing these sales during the war-time period?

Regardless of the merits of Section 11, the enforcement of that section should be postponed "for the duration." In the post-war period, the utilities, the commissions, the courts and Congress, all will have more time and energy to devote to this purely domestic problem. During the war, all energies should be concentrated on the smooth functioning of the war production machinery. It should not be dissipated in endless hearings and negotiations over the transfer of efficiently operating utilities to new ownerships.

The Securities Business In The Post-War Period

(Continued from page 796)

national wealth at a furious rate in order to win this war. We will come out of it with more debt and more money than any other nation in history. We cannot cancel one against the other because the debt is owed by all of us and the money is owned by each of us. Therefore, unless and until we can reverse the process by which the money was created, a great deal of it is going to seek—and find—employment and a great deal of it will be in the hands of those who will need intelligent and honest assistance in the search for such employment. This will be the real test for the securities business. If it takes proper advantage of this opportunity it can quickly regain lost caste as well as cash. If it takes improper advantage of the opportunity it may—and perhaps it should—be all but legislated out of existence.

Job Number Five is a bit complicated and probably will be undertaken only by those securities dealers who specialize in Institutional business. It is selling the commercial banks' earnings assets to its depositors. Sounds simple to the point of simple-mindedness, doesn't it? Well, it isn't, and it is both a problem and an opportunity for the securities business.

We just said that we had monetized our wealth at a great rate in order to win the war. A large part of this process is taking place in the commercial banks. By the time the war ends they will have increased their deposits and their earning assets to such an extent that unless they can sell more capital stock—which is another possible job for the securities business—they simply will not be able to handle the additional banking business, in the shape of commercial loans, which will normally develop out of the reconstruction period. Commercial banks, as everyone should know by this time, are running the equivalent of a margin account. The securities in the account are their earning assets, the margin is their capital, surplus, and undivided profits and the debit side of the ledger is represented by their liabilities to depositors.

When the war is over every commercial banker in America will be willing, if not anxious, to go out of the bond business and back into the banking business. He simply cannot do this unless he either (1) collapses his deposits and earning assets simultaneously by selling the earning assets to the depositors or (2) puts more "margin" in his account. One or both of these will have to be done as matters now stand and either of them means a real job for the securities business.

There is more to the present story and many more chapters will be added as time goes on. Nothing can be asserted categorically, flatly and finally. But on the basis of visible facts there is every reason to believe that the securities business faces a post-war period in which the potential possibilities for constructive and profitable activity are greater than anything it ever has experienced.

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N S T A Municipal Bond Committee Reports

Russell M. Dotts, of Bioren & Co., Chairman of the Municipal Bond Committee of the National Security Traders Association made the following report to the Association at its annual meeting in Chicago.

Shortly after the formation of the Committee, your Chairman consulted Mr. Austin Tobin, Secretary of the Conference on States Defense and offered our services in cooperation with the Conference in event the Treasury Department would again attempt to tax Municipal Bonds; also to give any assistance, if needed, in the trial of "Shamberg vs. Commissioner of Internal Revenue" as well as the Triborough Bridge Authority case, known as the "White case," involving the taxation of the interest on their bonds. Again Mr. Tobin offered to send to each of the representatives of our Committee any releases by the Conference on State Defense pertinent to the above. These were received and have been helpful in keeping us informed.

Early in June our attention was called to a bill being presented in Congress by Representative Lyle H. Boren of Oklahoma, known as the "Boren Bill" (HR 1502), which

Russell M. Dotts

bill is to prevent the SEC from having any jurisdiction over tax-exempt securities, which, in his opinion, was never the intent of Congress. Your Chairman went to New York to consult Mr. David Wood, of Thomson, Wood & Hoffman, who assumed the leadership for the various municial organizations. On June 10 and subsequent dates letters were sent to all municipal representatives and presidents of our affiliates, urging them to have their members contact their local municipal officers and Congressmen, urging their support of this bill when it is presented before the Interstate and Foreign Commerce Committee for hearings. We supplied our representative with a copy of a letter written by Mr. Wood to a governor of one of the States as well as a letter written by one of our affiliates to its members, suggesting they use this type of approach. A great deal of good work has been done and there still is plenty more to be done before we can be assured of its passage. The committee, through the efforts of our affiliated groups has secured the promise of the service of governors, mayors and other high ranking municipal officials to either personally appear or send representatives to the hearings when they are held. Mr. Wood has promised to advise us the moment he learns when the bill (HR 1502) is to come up for hearings, so a last-minute check can be made.

There has been practically no change in the committee during the year. However, we have had the pleasure of adding the Municipal Bond Club of Memphis with its 26 members as well as the Dallas Bond Club and its 76 members to our membership during the year, which I am sure will further strengthen the municipal representation of N.S.T.A. The various representatives having been selected by the presidents or the affiliates themselves, have given their chairman their fullest cooperation. The committee has endeavored to cooperate fully with the officers and Executive Council to keep them fully informed at all times of our activity.

At this time I would like to take the opportunity of thanking every member of our committee, every representative and the officers of N.S.T.A. for the splendid help and cooperation given me this year; and to assure the new chairman that he can expect and will receive the same enthusiastic cooperation for the ensuing year.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 150
Common Dividend No. 134

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1943, and a dividend of 15¢ per share on the Common Stock have been declared. Both dividends are payable October 1, 1943, to holders of record September 13, 1943. The stock transfer books will remain open.

J. P. TREADWELL, JR.
July 28, 1943 *Secretary*

At a meeting of Directors held August 17, 1943 in London it was decided to pay on September 30th Interim Dividend of Ten Pence for each One Pound of Ordinary Stock free of tax. Coupon No. 192 must be used for Dividend.

All transfers received in order at London on or before August 31st will be in time for payment of dividend to transferees.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED
August 17, 1943

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *August 16, 1943*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable October 25, 1943, to stockholders of record at the close of business on October 8, 1943; also $1.00 a share, as the third "interim" dividend for 1943, on the outstanding Common Stock, payable September 14, 1943, to stockholders of record at the close of business on August 23, 1943.

W. F. RASKOB, *Secretary*

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a regular quarterly dividend of $1.75 per share on the Cumulative 7% Preferred Stock payable October 1, 1943, to holders of record on September 17, 1943, and a dividend of 50c per share on the Common Stock payable September 24, 1943, to holders of record on September 10, 1943.

ROGER HACKNEY, *Treasurer*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of fifty cents (50c) per share on the common stock payable October 15, 1943, to all holders of record at the close of business on September 20, 1943.

SANFORD B. WHITE, *Secretary.*

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable October 1, 1943, to stockholders of record at the close of business on September 15, 1943. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, Secretary.

KANSAS CITY POWER & LIGHT COMPANY
First Preferred, Series B Dividend No. 67
Kansas City, Missouri August 18, 1943

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B", Stock of the Kansas City Power & Light Company has been declared payable October 1, 1943, to stockholders of record at the close of business September 14, 1943.

All persons holding stock of the company are requested to transfer on or before September 14, 1943, such stock to the persons who are entitled to receive the dividends.

H. C. DAVIS, Assistant Secretary.

KENNECOTT COPPER CORPORATION
120 Broadway, New York City

August 20, 1943.

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of fifty cents (50c) a share have today been declared by Kennecott Copper Corporation, payable on September 30, 1943, to stockholders of record at the close of business on August 30, 1943.

A. S. CHEROUNY, *Secretary.*

A. HOLLANDER & SON, INC.
COMMON DIVIDEND

HOLLANDER FURS

A dividend of 25c per share on the Common Stock has been declared, payable Sept. 15, to stockholders of record at the close of business on Sept. 4. Checks will be mailed.

Newark, N. J. Albert J. Feldman
Aug. 23 ***Secretary***

DIVIDEND NOTICES

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)
Chicago Illinois

The board of directors of Northern States Power Company (Wisconsin), at a meeting held on August 17, 1943, declared a dividend of one and one-quarter per cent (1¼%) per share on the Preferred Stock of the Company, payable by check September 1, 1943, to stockholders of record as of the close of business August 20, 1943, for the quarter ending August 31, 1943.

N. H. BUCKSTAFF, *Treasurer.*

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 103

A DIVIDEND of One Dollar ($1.00) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York, N. Y., on Friday, September 24, 1943, to stockholders of record at three o'clock P. M., on Tuesday, August 31, 1943. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.
New York, N. Y., August 19, 1943.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1943, to stockholders of record at the close of business September 3, 1943.

ROBERT W. WHITE, Vice-President

E. Felix Shaskan Dies

E. Felix Shaskan, partner in Shaskan & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, died at his home of a heart attack.

An art connoisseur, Mr. Shaskan had acquired an extensive collection of paintings.

He is survived by two sons, Paul N. and George Lincoln Shaskan; a sister, Mrs. Jennie Aaronson, and two brothers, George and Alexander Shaskan.

FINANCIAL NOTICE

Notice of Partial Redemption of Bonds for Sinking Fund

Southern Natural Gas Company

First Mortgage Pipe Line Sinking Fund Bonds
3¼% Series Due 1956

NOTICE IS HEREBY GIVEN to holders of the above Bonds that, pursuant to provisions of Indenture dated as of April 1, 1941 to Central Hanover Bank and Trust Company and J. T. Harrigan, as Trustees, and of said Bonds, the undersigned has elected to redeem and does hereby call for redemption on October 1, 1943, $108,000 principal amount of said Bonds, at the Sinking Fund Redemption Price in effect on that date, i.e., 102¾% of the principal amount thereof.

The Bonds so called for redemption have been drawn by lot by Central Hanover Bank and Trust Company, as Trustee, and their distinctive numbers are as follows:

Coupon Bonds Bearing the Prefix Letter M

38	1364	3671	5524	7061	8904	11229
54	1477	3778	5696	7062	8933	11230
83	1494	4004	5747	7107	8984	11462
99	1572	4061	5765	7144	9408	11591
117	1591	4100	5844	7154	9677	11672
195	1636	4421	5851	7224	9711	11694
235	1705	4511	6153	7330	9962	11737
345	1748	4554	6389	7529	9979	12285
411	2067	4590	6390	7711	10688	12472
492	2156	4654	6427	7836	10900	12507
609	2192	4754	6640	8015	10930	12551
799	2251	5018	6753	8016	10931	12671
860	2360	5033	6927	8097	10986	12694
1148	2515	5122	6962	8142	10990	
1296	3271	5434	7039	8338	11078	

Fully Registered Bonds Bearing the Prefix Letter R

127 184 613 614 615

On October 1, 1943 there will become and be due and payable on each Bond so to be redeemed, at the principal office of Central Hanover Bank and Trust Company, 70 Broadway, Borough of Manhattan, City of New York, 102¾% of the principal amount thereof, with interest accrued upon such principal amount to said date. Payment will be made upon presentation and surrender of such Bonds accompanied, in the case of coupon bonds, by all appurtenant interest coupons maturing on or after that date. From and after October 1, 1943 interest on said Bonds so called for redemption will cease to accrue and interest coupons maturing after that date will be void.

Fully Registered Bonds and Coupon Bonds registered as to principal should be accompanied by duly executed assignments or transfer powers in blank.

Southern Natural Gas Company,
By H. GORDON CALDER, *Treasurer.*
Dated: August 26, 1943.

Rapid Advancement for Lt. Col. K. H. Owens

Lt. Col. Kenneth H. Owens, former Detroit broker, has received many rapid advancements during his career in the Army, both in World War I and the present conflict.

He began his military career in 1917 when he organized a college unit while a medical student at the University of Chicago, and entered the medical enlisted corps. He rose to the command of captain in only a year and nine days. After his discharge from the Army, he abandoned his plans to become a doctor and entered the investment business in Detroit in which he was active until his recall to duty in the Army in January, 1941. He was assigned to the recruit reception center at Camp Grant in command of a medical detachment. Appointed Adjutant in May, 1941, he was transferred to the medical replacement training center in August, 1941, as Assistant Adjutant General of the assignment center. He was appointed personnel officer in charge of military and civilian personnel at the camp on November 1, 1941. On April 15, 1942, he was promoted to Major and in April, 1943, he was advanced to his present rank.

R. P. Compton Joins Republic Aviation

Randolph P. Compton has resigned as Vice-President of Union Securities Corp. to engage in war industrial work. After taking a retraining course at the Harvard School of Business Administration, Mr. Compton has just become associated with the Republic Aviation Corp. at Farmingdale, L. I. Prior to joining Union Securities Corp. in July, 1941, Mr. Compton had been in charge of municipal bond activities at Lazard Freres & Co. since 1934. He was formerly Vice-President of the William R. Compton Co., specialists in municipal bonds.

Denv. & Rio Grande Offers Interesting Situation

Denver & Rio Grande Western 4s of 1936 offer an interesting situation, according to a circular just issued by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of this circular may be obtained upon request from Pflugfelder, Bampton & Rust.

FINANCIAL NOTICE

NOTICE OF REDEMPTION

To the Holders of
THE CHESAPEAKE AND OHIO RAILWAY COMPANY

Refunding and Improvement Mortgage
0.85% Bonds, Series G-3
due February 1, 1944

NOTICE IS HEREBY GIVEN that The Chesapeake and Ohio Railway Company has elected to exercise its reserved right to redeem and pay off on **September 20, 1943,** all of the above-mentioned bonds then outstanding at 100.20% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of Article Five of the Refunding and Improvement Mortgage, dated April 1, 1928, from The Chesapeake and Ohio Railway Company to Guaranty Trust Company of New York and Herbert Fitzpatrick, Trustees, and Part IV of the Seventh Supplement thereto, dated May 1, 1936, and Part II of the Tenth Supplement thereto, dated February 1, 1941, and that all of said bonds are called for redemption on said date. There will therefore become due and payable on September 20, 1943, at the office of J. P. Morgan & Co., Incorporated, 23 Wall Street, New York 8, N. Y., Paying Agent, the principal amount of said bonds, together with a premium of 0.20% of such principal amount, and accrued interest on such principal amount to said date. From and after said date interest on said bonds will cease to accrue, and all coupons maturing February 1, 1944, shall be null and void.

The bonds should be presented for redemption as aforesaid with the coupons payable February 1, 1944, attached. In the case of bonds registered as to principal, where payment to anyone other than the registered owner is desired, the bonds must be accompanied by proper instruments of assignment and transfer.

THE CHESAPEAKE AND OHIO RAILWAY COMPANY
By H. F. LOHMEYER, Secretary,
Cleveland, Ohio, *dated* August 20, 1943.

Active Trading Markets in

General Gas & Electric $5 Prior Preferred
Massachusetts Utilities Associates 5% Preferred
Public Service Co. of Indiana 5% Preferred
Peoples Light & Power $3 Preferred

LAURENCE M. MARKS & CO.
Members New York Stock Exchange
49 Wall Street, New York 5, New York
Telephone HAnover 2-9500 **Teletype N.Y. 1-344**

Public Utility Securities

United Corporation Ordered to Recapitalize

United Corporation, organized primarily as an investment company by the Morgan-Drexel interests in 1929, is construed to be a holding company under the Utility Act, which states that ownership of 10% or more of voting stock of any utility company constitutes "control." Thus, United Corp. became the holding company for Columbia Gas, Niagara Hudson, Public Service and United Gas Improvement, although in no case did it hold much more than one-quarter of the voting stock. While the company does not publish a "consolidated" balance sheet, the "system" size is estimated at about $3,000,000,000 or approximately equal to that of the Electric Bond & Share system. The latter company, however, has actively managed its subsidiary holding companies (through Ebasco) with the exception of American Gas & Electric.

United Corp. has made several moves to conform to the Utility Act, but thus far the SEC has remained critical of these efforts. In November, 1941, a plan was filed with the commission to expend $2,500,000 for purchase of its preference stock in the open market, and a hearing was held in December, but no decision had been rendered in the intervening year and nine months. In 1939 the company undertook to broaden its portfolio, probably with the idea of attaining investment trust status, and $4,478,651 (out of $8,000,000 authorized by the SEC) was expended in the purchase of 25 "blue ribbon" industrial stocks. This section of the portfolio remained practically unchanged up to the date of the company's last report. The company has not wished to dispose of additional utility holdings at prevailing prices because this would result in heavy book losses.

The company accordingly proposed, pending completion of the program for diversifying its portfolio, that it would refrain from voting as a stockholder in the utility companies which it controlled. However, this plan did not appeal to the commission, which instituted an inquiry into the corporate structure, distribution of voting power, advisability of continued existence, etc. Hearings were held in October, 1942, but no formal decision was announced. More recently, under its new President, William Hickey, the company proposed a policy of reducing stock holdings in its four "subsidiaries" to less than 10%. Thus it would relinquish control, and escape regulation by the SEC under the Utility Act (though remaining under its jurisdiction as an investment trust). It also agreed to consult the commission before voting its remaining stock holdings of 10% or less in these companies.

The commission recently rejected this plan and ordered the company to recapitalize. The SEC stated: "United's plan offers nothing which will assure the expeditious disposition of its holdings in the subsidiaries. The plan merely recites an intention to carry out the reduction program. . . . The mere reduction to less than 10% will not necessarily transform United into an investment company."

The commission presumably has the legal right to order a recapitalization prior to disposition of a controlling interest in the four subsidiaries. But its argument that "United, even with less than 10% of voting stock, would easily remain by far the largest single stockholder in each subsidiary," loses weight in view of United's willingness to give up any remaining voting rights. The contention that United has attached too many reservations to this offer seems beside the point. The Utility Act specifically fixes 10% as the dividing line between control and non-control. While it is true that some additional powers to determine control are given to the Commission, the language of the Act seems to indicate that these are intended only for exceptional cases.

Assuming that United Corp. proceeds with a recapitalization plan, as the next step to conform to SEC ideas, the question arises as to the assignment of new common stock to the preferred and common stockholders. There are outstanding 2,488,712 shares of $3 preference stock and 14,529,491 shares of common. Dividend payments on the preferred have been irregular since 1937 though present arrears amount to only $2 ($1 was paid in February, $3 last year). Share earnings, which amounted to $4.30 in 1937, dropped to $1.43 last year and in the first half of 1943 to 70c. The decline has been largely due to the lower dividends paid by Public Service of New Jersey, following the heavy inroads made by Federal taxes into that company's earnings (earnings were on a "parent company" basis and on a consolidated "system"

(Continued on page 827)

UTILITY PREFERREDS

PAINE, WEBBER, JACKSON & CURTIS
ESTABLISHED 1879

Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Bank stocks, since the lows of 1932, have for a number of reasons, lagged sadly behind the general market. It is of interest to compare the market record of high grade bank stocks, as represented by Standard and Poor's weekly index of 19 New York City bank stocks, with that of high grade industrials, as represented by the Dow Jones Industrial Average.

At the low of 1932 Dow Jones Industrials were 41.22, while at the recent July 1943 high, they were 145.82, or 253.8% higher. Standard and Poor's bank stock index was 60.3 at the 1932 low, and 95.5 at the July 1943 high, or only 58.4% higher. This is a truly astounding difference, for the bank stock appreciation is only 23% of the appreciation of the Dow Jones industrial average.

Measuring again from the 1932 low, but this time to the high of the market in the first quarter of 1937, we find that the D. J. industrials moved from 41.22 to 194.40, or 371.6%, while bank stocks moved from 60.3 to 154.5, or 156.2%. In this case bank stock appreciation was 42.2% of industrial stock appreciation. Obviously bank stocks did comparatively better between 1932 and 1937 in relation to industrial stocks, than they have since 1937.

Currently, both bank stocks and industrials are moderately below their highs of July 1943, as follows:

	Bank Stocks	D. J. Industrials
July 1943 High	95.5	145.82
Aug. 18, 1943	94.6	138.45

If we assume that both bank stocks and industrial stocks are likely, during the course of the present market, again to reach their highs of 1937, a not unreasonable assumption, we find that bank stocks are in a very favorable position, as follows:

	Aug. 18, 1943	1937 High	% Apprec. to Reach 1937 High
Standard & Poor's Bank Stock Index	94.6	154.5	63.3%
Dow Jones Industrial Average	138.45	194.40	40.4%

It now seems worthwhile to examine the performance of the individual bank stocks which comprise the Standard and Poor's index. The following tabulation, therefore, shows the market appreciation of each stock from December 31, 1942 to August 18, 1943, and also the potential appreciation from this latter date necessary for each stock to reach its 1937 high. The current yield of each stock is also shown.

	Asked Price 12/31/42	Asked Price 8/18/43	Appreciation %	Potential Appreciation: 8/18/43 to 1937 H. %	Current Yield %
Bank of Manhattan	17	21¼	25.0	95.3	4.2
Bank of New York	289	392	35.6	40.3	3.6
Bankers Trust	38	50¾	33.6	70.4	2.8
Brooklyn Trust	63¾	91	42.7	73.6	4.4
Central Hanover	75¾	99	30.7	55.1	4.0
Chase	29½	38	28.8	72.4	3.7
Chemical	39¾	47¾	20.1	80.1	3.8
Commercial National	169	217	28.4	12.0	3.7
Cont. B. & T.	13½	18¼	35.2	24.7	4.4
Corn Exchange	37¾	47	24.5	64.4	5.1
Empire	46½	80	72.0	133.5	3.8
First National	1145	1495	30.6	81.3	5.4
Guaranty	238	306	28.6	28.8	3.9
Irving	11¾	14¼	21.3	45.6	4.2
Manufacturers	37	47	27.0	51.1	4.3
National City	30¼	35¾	18.2	72.0	2.8
New York Trust	74½	91½	22.8	79.2	3.8
Public National	28¾	35	21.7	74.3	4.3
U. S. Trust	1050	1240	18.1	73.4	5.5
Average			29.7	64.6	4.1

It will be noted that from Dec. 31, 1942 to Aug. 18, 1943 the average appreciation of the 19 bank stocks has been 29.7%, and that in order again to reach the 1937 highs their average appreciation must be 64.6%. There are, however, marked differences between the individual stocks. Empire Trust, for example, shows an appreciation of 72.0% during the current year, while United States Trust shows only 18.1%. To reach the 1937 high, Empire Trust shows a potential appreciation of 133.5%, while Commercial National shows only 12%. Between these two extremes lies a great assortment of percentages, comparatively few of which are very close to the average.

In the case of Empire Trust, the stock suffered an unusually severe decline from a high of 37⅜ in 1937 to 8½ in 1940, at which time the par value was changed from $10.00 to $50.00 per share, since when the new stock has climbed to 80. The 1937 high of 37⅜ was on a par of $10.00, and is mathematically equivalent to 186⅞ on a par of $50.00, thus, the present stock will have to appreciate approximately 133.5% to reach its equivalent 1937 high.

As has been pointed out in this column before, the banks are enjoying a period of great activity occasioned by the Nation's stupendous war effort; furthermore, this activity is being translated into the most favorable earning situation which they have experienced in many years. Deposits, earning assets, book values, and all the other tokens of bank prosperity, have been growing and are continuing to grow. The post-war era, too, seems to hold great promise for commercial banking, and on a sounder basis than was possible under a system which, in the 1929 era, tolerated the speculative activities of "security affiliates."

All things considered, it seems to this writer that a diversified list of high grade New York City bank stocks at current levels has much to offer the conservative and realistic investor. The yield is attractive, fairly substantial market appreciation seems probable, and some dividend increases, after the war, would be in order.

Real Estate Securities

Hotel Lexington Cash Sinking Fund Of $193,988.71 For Six Months Ended June 30, 1943 Is $57,716.38 More Than Amount Available In Previous Six Months

A Total Sinking Fund Of $330,261.04 For 12 Months Period Equal To Nearly 10% Of Funded Debt Presently Outstanding

The 28-story Hotel Lexington containing approximately 750 rooms and located on the southeast corner of Lexington Avenue and 48th Street, New York City, was reorganized in 1935. Securities issued in the reorganization consisted of a unit comprising an $800 Mortgage Income Bond, a $200 Income Debenture Note and 15 shares of Capital Stock for each old $1,000 bond. The stock so issued represents about 67% of the equity in the property. Under the terms of the indentures the sinking funds purchase the bonds and notes, the stock being retained by those who tender bonds and notes to the sinking funds.

The reorganization record of the property is impressive in spite of the fact that it was handicapped at the start with reorganization expenses of about $144,000 and cost of alterations and improvements of about $165,000, of which $127,000 was the cost of the "Revere Room," which has been a good source of income since completed. The period up to June, 1942, produced income sufficient, however, to defray the above costs and to pay in full all 4% cumulative interest on the funded debt of $3,900,000 and to leave a balance of about $16,000 available as a sinking fund, sufficient to reduce funded debt to $3,867,500.

Starting, however, in July, 1942, with a clean slate and a demand for hotel accommodations, the property has reduced funded debt to $3,445,800 as of Aug. 31, 1943, with approximately $62,000 still unexpended in the sinking funds.

An interesting part of this reorganization is the 67% of the equity stock issued in the unit. This stock holds promise of dividends and increased value, due to the fact that when outstanding mortgage bonds are reduced to $2,400,000 (originally $3,120,000 and now reduced to $2,758,160) the amount of the sinking fund then applicable is limited to 1% of the amount outstanding at the end of each six-month period, or $20,000, whichever shall be greater. When this point has been reached it is evident that the top sinking fund could be no more than $24,000 for a six-month period. At the present earning rate, reduction to $2,400,000 is not too far away. At that time dividends may be declared on the capital stock.

Some Thoughts On Postwar Rail Prospects

(Continued from page 783)

mand is satisfied which, with production allocated at the 1929 rate, **would indicate theoretically five years of 4,587,000 cars per year.**

Examination of the past record of freight revenues **in terms of** U. S. passenger car production, discloses a figure of $1,000 per car results which, applied to possible post-war output, plus passenger revenues at only 40% of the 1942 rate (thereby allowing for the return of the passenger car, bus and airplane), plus $100,000,000 of mail revenues (leaving the express business entirely to the air transport industry) would indicate gross railroad revenues of $5,000,000,000 (such revenues would approximate midway between the 1941-1940 level).

Application to a potential $5,000,000,000 annual gross revenue base of a 70% operating ratio (vs. 68.5% for 1941 and 71.9% for 1940) plus other adjustments, would leave an estimated balance available for fixed charges and Federal taxes of around $980,000,000, contrasted with estimated New Fixed Charge requirements of $481,000,000 annually (after giving effect to known ICC or compromise reorganization plans, as well as allowing for possible 1943 debt retirement of $750,000,000 and 1944 possible debt reduction of $400,000,000).

Net current assets at the close of 1943 may reach $1,700,000,000 vs. $1,200,000,000 at the close of 1942, $816,000,000 at the close of 1941, $598,000,000 at the close of 1940, $178,000,000 at the close of 1938, and **$407,000,000 at the close of 1929.**

Post-war rail earnings effects will be widely divergent, with the best results probably favoring carriers serving the Texas-Southwest and the Pacific Coast.

Thereupon, the writer proceeds to list in the Bulletin the particular bond issues, defaulted and regular-interest-bearing, which appear to have the best prospects in view of the general outlook. Copies of this interesting bulletin may be had upon request from McLaughlin, Baird & Reuss.

Guffey Coal Act Expires

The Guffey Coal Act, which was enacted in 1937 to stabilize the soft-coal industry through establishment of minimum prices, expired on Aug. 23, thus ending Government regulation of the industry.

A request for extension of the law until two years after the war was refused by Congress before it recessed for the summer. Previously, Congress had extended the law for 90 days from its expiration in the spring.

The act was allowed to die despite efforts by President Roosevelt and Secretary of the Interior Ickes, the Solid Fuels Administrator, to have it continued; this was reported in our issue of July 8, page 104.

It is believed attempts to renew the act will be made when Congress reconvenes.

Canadian Securities

By BRUCE WILLIAMS

In view of the wealth of discussion that has been aroused by the numerous currency plans recently announced, it might be well to consider them from the point of view of Canada. The revised plan just made public by Mr. Morgenthau appears to lean more towards the Canadian version than the original proposal. Whether we take the British plan which stresses foreign trade as the predominant basis of participation or the Morgenthau-White idea which places emphasis on the status of gold, Canada appears equally well-placed.

From the angle of the volume of international trade, Canada stands third among the nations of the world, but based on population, Canada is the leading country in foreign trade and currently exports approximately 80% of her total production. On the other hand, if gold is to be the paramount basis, Canadian production at present is placed second, but when the Canadian North West is more fully developed, there is little doubt that Canada will furnish the bulk of the world's supply.

However favorably one country or another might be affected by whatever system is in force in the post-war world, practical foreign exchange observers are beginning to be fearful that the world's economy is going to be dictated by hastily conceived arbitrary regulations. Furthermore, the rules that determine our future business dealings might be interpreted and enforced by what might very well prove to be another abortive "League of Nations."

Before embarking hurriedly on any ambitious global scheme, it would surely be possible for us, together with the British Commonwealth, and, if willing, Russia, to keep the main currencies of the world on an even keel in the immediate post-war period, until such time as a carefully considered universal plan could be worked out. Furthermore, we must not forget the disastrous experience of the British after the last war when the pound was rushed back to full gold parity. Unquestionably, when one considers the present vested interests of this country, the British Commonwealth and Russia, gold will continue as the monetary basis, but it must be made the servant and not the master of the economy.

Turning to the Canadian securities market, the past week has been quiet with little activity. Dominion direct and guaranteed issues were steady but inactive. The Eastern provinces, however, continued in demand and the longest term Ontarios established a new high level and now yield only slightly above 3%. A further large block of British Columbias traded but the market remains firm with the long term issues on a 3.40% basis. Other Western provincial issues, however, tended to weaken. Saskatchewan 4½s of 1960 were offered at 91½ after being 93 bid. Manitoba 4½s of 1956 were 106½ offered after 107 bid. Alberta 5s declined from the recent high of 83 and were offered at 78.

Dominion internal issues continued in demand and are still coming down from Canada on the basis of the money rate. Corporates, on the other hand, remained under the influence of the recent drop in the stock market here and were still quoted at 15/16% discount. Bearing in mind that the Canadian stock market has been relatively little affected and the continuing firmness of the Canadian dollar, this section of the market appears decidedly attractive.

Reverting to the market for external bonds in general, it seems that we must give increasing attention to the following factors. The whole market has had a long sustained advance, and, as anticipated in these columns, many obvious adjustments have now been made.

Ordinarily, some reaction would be a normal consequence, but in the case of the higher grade bonds over a long period there has always been a ready demand here and Canadian holders have sold readily on fear of losing the 10% U. S. dollar premium, to such an extent that the Canadian supply is now severely curtailed. Scarcity value, therefore, can delay the normal process. In the case of the lower grade bonds, until the recent general market advance, it had not been possible for Canadian holders to find buyers here to any considerable extent. Therefore, the market now is experiencing the effect of the Canadian supply which there is little reason to doubt will continue to operate if prices continue to be attractive.

Attractive Situations

Blair F. Claybaugh & Co., 72 Wall Street, New York City, members of the Philadelphia Stock Exchange, have prepared interesting circulars on Ft. Dodge, Des Moines & Southern Railway (4s of 1991 and common), Utica & Mohawk Valley Railway (4½s of 1941), and Consolidated Dearborn (common), which the firm believes offer attractive possibilities at current levels. Copies of these circulars may be had upon request from Blair F. Claybaugh & Co.

Gov. Dewey Says Labor Rights Must Be Restor'd

(Continued from page 783)

owners when the owners were without fault.

"In time of total war such an abridgement of our rights is probably inescapable. But it is a condition which can only be justified by the sacrifices of war. We are fighting to make sure that such totalitarian conditions cannot exist in time of peace.

"For whether we recognize it or not, the peacetime effect of government control over the terms and conditions of labor would inevitably be to regulate out of existence the whole purpose of labor unions.

"It is a fundamental truth that there is no place for genuine collective bargaining in a regimented economy. We have seen that strikingly demonstrated in the Fascist economies against which our whole nation is today fighting. Collective bargaining is a right of free labor which can only be exercised by free labor. And there can be no free labor except in an enterprise economy conducted by free men.

"So that we shall truly regain and keep the vital freedoms for which we fight today, I invite you to join with all your vigor in the struggle to restore them at the end of the war. We can be neither free nor strong in a peacetime regimented economy. We can be both free and strong if we recover for labor and enterprise the dignity and unfettered strength which only free men can enjoy.

"We are all fighting for the same thing, total victory. Workers and employers are equally interested in that goal. They are all gladly making every possible sacrifice to win the war and to win the peace after the war. An indispensable part of that peace will be continued progress in all our relations—the relations between labor and management, between both and government. The teamwork that we have set up in New York State must not be a temporary arrangement. It must be something that will last—that will enable us to live together and to work together, more keenly alive than ever to the ultimate truth that what benefits one group will benefit all.

"America never turns back. Whatever our calling, we Americans look forward to the sharing of an ever greater future."

The Governor in commending labor in this State for having kept its "no-strike pledge" said:

"We can all take particularly great pride in the fact that there have been no industrial strikes of any moment in the State of New York. There have not even been any industrial controversies here which are worthy of the name. The New York State Federation of Labor can point with similar pride to its record of having authorized no strikes in the industrial shops where it represents the worker. Labor in this state has kept its 'no-strike pledge.'"

Nat'l City Bank of Cleve. Situation of Interest

The current situation in National City Bank of Cleveland offers attractive possibilities according to a circular being distributed by Otis & Co., Terminal Tower, Cleveland, Ohio. Copies of the interesting circular may be had from the firm upon request.

Post War Rail Prospects

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange have just issued an interesting circular entitled "Railroads—Some Thoughts on Post-War Prospects." Copies of this circular may be had from the firm upon request.

Investment Trusts

That Bogey Man Has Teeth

We have a final batch of June 30 reports which, by all precedent, should be duly summarized in this column. But they are history now—and we'd like to devote most of the available space this week to a discussion of the future.

So, with your indulgence, we'll simply list the companies together with their reported net assets as of June 30, 1943. **Affiliated Fund,** $24,018,549 before deducting $10,000,000 of debentures; **American Business Shares,** $4,715,646; **Boston Fund** (July 31), $10,917,565; **Commonwealth Investment Company,** $1,690,547; **Group Securities,** $15,533,676; **Keystone Custodian Fund, Series "B1,"** $3,012,278; **Keystone Custodian Fund, Series "K2,"** $1,161,395; **New England Fund,** $3,161,219; **North American Investment Corp.,** $4,360,494 before deducting $1,465,000 of debentures; **Quarterly Income Shares,** $18,930,919; **Union Trusteed Funds,** $2,491,894; **Wellington Fund,** $9,743,684.

And now to the piece de resistence. It's about that old bogey man—inflation. A growing number of people are beginning to suspect that maybe he has teeth. A careful reading of "The Economic Future" (issue of July 31) should remove any doubt. This service, published by Tradeways, Inc., discusses the threat under the heading, "Post-War Inflation—What To Prepare For." Hugh W. Long & Co. is distributing the material to affiliated dealers.

The service (after searching analysis) arrives at the following conclusions:

1. Wholesale prices after the war, on the average will probably rise at least 100% and may go a great deal higher.

2. At the war's end inflation will start quickly and will rise to a climax within two or three years.

Significant excerpts from the article follow:

"Since the Roosevelt administration devalued gold ten years ago and withdrew it from circulation, all money in this country consists of pieces of paper or of ledger accounts. Practically, though not in form, it is all 'fiat money.'

"This plain fact, though known to everyone, has implications not always recognized. In practice, it removes all restrictions on monetary expansion except those imposed by law or set up as policies by government—operating in this country through the Federal Reserve Banks. **Laws and policies can be changed overnight. They are weak barriers against easy-money movements and political juggling. . .**"

"When the volume of money can be expanded without any visible limit, the stage is set for inflation. But nothing happens until the actors start to play their parts. Sometimes they are too cautious to step out and take their cues. In that case, the show does not go on. This is a reasonably accurate summary of monetary history from 1933 to 1940.

"Nearly all economists, both new deal and conservative, fully expected an inflationary upsurge of prices. The reason it did not come was that most businessmen, disturbed by government policies, did not extend their operations. Year after year bank loans remained almost stationary.

"What is more important, the velocity, or turnover rate, of demand deposits declined steadily until 1942. Thus, although deposits more than doubled, the increase was largely neutralized by their sluggishness. . . .

"During the Napoleonic Wars British and German prices each went up about 75%; American prices, close to 100%.

"During the Civil War prices in the North rose 150%.

"During and after World War I through 1920 wholesale price advances were: in Great Britain 223%; in the USA, 145%; in France, 500%; in Germany, 1600%. Thereafter French prices climbed another 250 and German prices soared to the sky.

"So par in the present war, extending into the Spring months of 1943, advances in wholesale prices based on 1939 have been:

United Nations	
USA	35%
Canada	32%
Britain	58%
Axis Nations	
Germany	9%
*Japan	29%

*Up to Dec. 1942

(Continued on page 827)

Savings And Loan Institutions Are Penetrating To All Nations

By EDWARD C. BALTZ

Vice President for United States of America, International Union of Building Societies and Savings and Loan Associations

A recent request for material on savings and loan associations to be sent by the United States Savings and Loan League to Asuncion, Paraguay, in the keeping of one who goes as a good neighbor representative of the State Department, emphasizes the international good name and fame of this type of institution. Actually institutions of this type have already penetrated into 17 countries in every Grand Division of the world. It was estimated at the last International Congress of Building Societies and Savings and Loan Associations, held in Zurich, Switzerland, in 1938, that the total resources of all savings and loan institutions in the world were $10,000,000,000.

Edward C. Baltz

The United States has the largest slice of those assets, $6,250,000,000, and the United Kingdom, where institutions of this type first took their rise 162 years ago, runs second. The business is relatively new in the other countries, and it was functioning more methodically and less turbulently in the British Commonwealth of Nations than in the Continental European countries even before the war. On the Continent they had not by 1938 reached a place of prominence or of much influence in the financial world and the past four years of actual war have not bettered their position. The dream remains, however, of making the system work among them, and the men who were engaged in it in Switzerland, Austria and some of the Balkan countries have kept right on with their interest and their hope for the future.

Thus savings and loan institutions as a world force belong to the future. Although cooperative financial institutions, they incorporate the genius of paying first heed to good management, to coming out in the black instead of the red for each operational period. They have the key to permanence as financial institutions by their heed to reserves, to continually building up the membership of the institution to replace a generation going out of date, and by a determination to adapt their methods to new ways of doing things. They should hold much promise for the reconstruction of Europe, for the rebuilding of Europe's homes after the war, if the sound system as we know it in the English-speaking nations can be pushed and expanded. They hold sound promise for the fostering of individual self-reliance by providing an easily understandable security, with good earnings and a safety record which deserves some emphasis.

The British Building Societies are well known in America because of the prominence which was given in the middle '30's to Great Britain's home building boom, and because these societies were the backbone of the financing for that great achievement. It is not any too well known that they are the counterpart of our savings and loan institutions in this country. They are truly the mother system of thrift and home financing institutions from which our own sprang directly. Because some of the British building societies have attained greater size than our largest, and because it is possible for a single institution of this kind to operate all over a country of such relatively small dimensions as England or Scotland, it should not perhaps be surprising that the differences between their activities and those of the savings and loan associations in this country should obscure to the eyes of the general financial public their similarities and their common basis of procedure. The kinship, the practical parent and child relationship between the two institutions, is there however and should be more thoroughly understood here in financial circles in order that the possibilities of savings and loan institutions may be more adequately judged.

A director of the largest institution of this type in London, the Abbey Road Building Society (of which Sir Josiah Stamp, the eminent British industrialist and economist was President at the time of his death in an air raid) was recently in this country on a mission for his government. He said of the Building Societies and their safety: "An investment in a building society has proved to be one of the best securities. It has stood up to the ravages of war as well as Government securities." There should be a great deal of promise in that kind of investment to the countries which are struggling back to life and security after the war.

The savings and loan investment in the United States has a record of safety which is beyond all realization by those who are unfamiliar with the business. Year after year, the records of the Secretary-Treasurer of the United States Savings and Loan League show the safety record of the savings and loan system in this country. The lowest that record ever got was in 1933 when it was 99.37% of total assets. In the other depression years the safety record was between 99.73% and 99.85%, of the total assets of the system. In 1941, it was 99.988%.

So if a sound system of thrift and home financing institutions can become much more nearly universal after the war, if its beginnings on the continent and in South American countries and in the younger nations of the British Commonwealth can be expanded, there will exist a safe place for the individual to build his own economic security. It will act as a reinforcement of the self-reliance of the individual which may be one of the problems in rebuilding a world which has known steadily less and less of such traits from almost as far back as the end of the last war.

Advances To Illinois And Wisconsin Savings Assns. At New Peak

The Federal Home Loan Bank of Chicago advanced more money in July to Illinois and Wisconsin Savings, Building and Loan Associations than in any previous July since it began operations, $2,919,610, A. R. Gardner, President, reported on Aug. 16 to the Federal Home Loan Bank Administration in Washington. Loan volume ranked third for any month so far in 1943, and served largely to offset repayments on loans which reached $3,167,912 last month, it is stated. It is also indicated that the bank closed the month with 156 member associations borrowing, a gain of three over the close of the previous month, although total loans outstanding went down. Aproximately a third of the member institutions are using the Bank's reserve credit facilities today, it was pointed out.

"Up to now the major portion of the loan volume advanced by the Bank was to supplement home lending funds in the Savings, Building and Loan Associations' own communities," said President Gardner. "With the advent of the war economy the demand for Bank advances to serve this purpose has been diminishing. The Federal Home Loan Banks, however, it must be recalled, were designed from the start to serve the varying credit needs of the local home financing institutions."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 783)

day. Stock after stock sold down and in doing so broke previous low points. The only balm in this Gilead was the absence of any important volume. But to the average holder of stocks such an absence is poor comfort. A loss is no smaller because it is accomplished on small volume.

* * *

Yet underneath this sinking decline there were evidences of better than just good support. At no time, however, did any of this buying showing any aggressiveness. When stocks were offered the stocks were taken; but always at concessions. At no time were there any signs of active bidding. Some of the buyers were investment trusts but by far the largest buyers (if you can call them that in such markets) were professional traders. At this point it might be emphasized that professional traders have no interest in long term rigamarole. They buy them because they expect to sell out at a profit in the immediate future. Long term possibilities while of academic importance don't interest them.

* * *

As this is being written the averages are down to about the lows of July. If these lows are to hold in the majority of stocks a rally must occur from close to present levels. If most of the stocks don't hold their lows the professional traders will almost certainly step out.

* * *

In today's (Tuesday's) market the lows of July are being recognized in a sort of left handed manner. They have stopped going down and volume has dried up even more than it has of late. This may or may not be a good sign. Yet if the rally I expect is to materialize it must materialize without the market going down more than two points on the downside. Within these two points the stocks recommended for purchase will come in.

* * *

For the record these are as follows: Borg-Warner (inadvertently I said this one got down to 32. It did not; so the buy point remains the same) buy at 32 with a stop at 31. Canada Dry, buy at 20½, stop at 19. Distiller-Seagram, buy at 27½, stop at 26. Shell Union Oil was bought at 26 when it sold down to 25½. Stop it at 25. Sinclair was bought at 11 when it went to 10⅞. Stop it at 9¾. Buy United Airlines at 26½, stop at 25½. Buy White Motors at 19, stop at 17 and Yellow Truck at 17 with a stop at 15.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Savings & Loan Assns. Return $100 Million To Government

Since January 1, 1943, Savings and Loan Associations have returned nearly $100,000,000 to the Government, retiring Federal investments in their capital made during post-depression years. Those thrift and home-financing institutions have repurchased $98,780,000 of Government investments in their shares already this year, although only $10,300,000 was due, James Twohy, Governor of the Federal Home Loan Bank System, announced. By Aug. 15, more than $202,000,000 had been retired out of a cumulative total of $273,156,710 so invested by Federal agencies. Mr. Twohy added:

"These government investments, made largely in the 1935-1937 period, were intended to increase the supply of funds available for home financing throughout the nation. They serve this public purpose effectively, besides paying to the Government approximately 52 million dollars in dividends on the investments.

Now, they are being re-paid to the Government at a rate far in advance of the agreed schedule, out of the steady increase in savings invested by the public in these institutions. This retirement program indicates the healthy growth of these institutions and is helpful to the government in its war financing and in holding the line against inflation.

"By authorization of Congress in 1933 and 1934, the Treasury invested $49,300,000 and the HOLC placed $223,856,710 in about 1400 applicant associations. Of these amounts, $227,615,700 went to Federal savings and loan associations—a new type of thrift institution authorized in 1933 — and $45,541,010 to state-chartered associations.

"At one time, government funds in Federal associations amounted to more than one-fourth of their total share capital," said Mr. Twohy. "Today that proportion is no more than 2.3%. A large proportion of these institutions have retired the Government's investments in full."

Calendar of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

MONDAY, AUG. 30

REPUBLIC DRILL & TOOL CO.

Republic Drill & Tool Co. has registered $1,250,000 5% convertible debentures, due Aug. 1, 1953, and 296,875 shares of common stock, par $1, to be issued upon conversion of debentures.

Address—322 South Green Street, Chicago.

Business—Engaged in the manufacture and sale of high speed and carbon twist drills.

Underwriting—Wyeth & Co., New York and Los Angeles.

Offering—Price to public 100 and accrued interest from Aug. 1, 1943, to date of delivery.

Proceeds—Of the net proceeds, the company will apply $100,000 to retire its outstanding bank loan, $125,000 toward the retirement of outstanding convertible preferred stock, and the balance to working capital.

Registration Statement No. 2-5197. Form A-1. (8-11-43).

TUESDAY, AUG. 31

BRANIFF AIRWAYS, INC.

Braniff Airways, Inc., has filed a registration statement for 400,000 shares of common stock, par value $2.50.

Address—Love Field, Dallas, Texas.

Business—Company is fifth largest commercial airline in the country in passenger miles flown. It has applications pending for extensions of its domestic routes.

Offering—Price to the public will be supplied by amendment.

Underwriting—F. Eberstadt, New York, heads the group of underwriters. Others will be named by amendment.

Proceeds—Company intends to add the net proceeds from the sale of the stock to its general funds as additional working capital. Proceeds subject to foregoing may be applied to replacement of flight equipment requisitioned by the government; to purchase of additional equipment necessary to meet passenger and cargo traffic requirements on present and proposed domestic routes; to purchase of planes incident to operation of proposed trade-area feeder system and purchase of planes and other equipment for initiation of operations of proposed foreign routes.

Registration Statement No. 2-5198. Form S-1. (8-12-43).

WEDNESDAY, SEPT. 8

DRAKE TOWERS, INC.

W. L. Cohrs, John P. Hooker, E. A. Tittle, John T. Wheeler and F. Hampden Winston as trustees have filed a registration statement for voting trust certificates for 28,209 shares of common stock, par $1 per share, of Drake Towers, Inc.

Address—Principal office Room 1730, 23 South Clark Street, Chicago.

Business—Apartment building located at 171-179 Lake Shore Drive, Chicago.

Underwriting—None.

Offering—As soon as practicable after registration statement becomes effective.

Purpose—The securities are presently subject to a stock trust agreement which expires Oct. 1, 1943. It is proposed to extend the agreement, as amended, to Oct. 1, 1953.

Registration Statement No. 2-5204. Form F-1. (8-20-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

IOWA POWER & LIGHT CO.

Iowa Power & Light Co. has filed a registration statement for $17,000,000 first mortgage bonds, 3¼% series due June 1, 1973.

Address—312 Sixth Avenue, Des Moines, Iowa.

Business—Is a public utility engaged in the business of furnishing electric service in Polk County, outside the City of Des Moines and environs, and in 12 contiguous counties in Central Iowa, and furnishing gas service in the City of Des Moines and environs, and in two municipalities in adjoining counties.

Underwriting—Bonds are to be offered for sale at competitive bidding under the rules of the Commission. Names of the underwriters will be supplied by post effective amendment.

Offering—Price to the public will be supplied by amendment.

Proceeds—Bonds are to be issued as part of a series of interdependent transactions which include the acquisition by Continental Gas & Electric Co. of Iowa Power & Light Co. and Des Moines Electric Light Co. from Illinois Iowa Power Co. Proceeds from the sale of the bonds, together with a portion of funds to be received from bank loans aggregating $2,500,000, will be used to redeem on Sept. 1, 1943, a total of $11,232,000 face amount of the company's first mortgage bonds; to redeem on Oct. 1, 1943, 10,133 shares par $100 of the company's 7% cumulative preferred stock; to the purchase from Illinois Iowa Power Co. of $1,750,000 face amount of general refunding mortgage bonds, Series A, due 1955, and $3,000,000 of open account indebtedness of Des Moines Electric Light Co., $4,750,000; to partial payment for Iowa properties of Iowa-Nebraska Light & Power Co., $1,000,000 and for other corporate purposes.

Registration Statement No. 2-5138. Form S-1. (5-12-43).

Registration statement effective 5:30 p.m. EWT on Aug. 19, 1943 as of 5:30 p.m. EWT July 17, 1943.

Bids for the sale of the bonds will be received at office of United Light & Power Service Co., 105 W. Adams St., Chicago, up to 2 p.m. CWT on Aug. 20, 1943.

PENNSYLVANIA ELECTRIC CO.

Pennsylvania Electric Co. has filed a registration statement for $4,000,000 first mortgage bonds series due Sept. 1, 1973 and 35,000 shares cumulative preferred stock Series B $100 par value. Interest rate on the bonds and dividend rate on the preferred stock will be supplied by amendment.

Address—222 Levergood Street, Johnstown, Pa.

Business—Principal business is the production, transmission, distribution and sale of electricity.

Underwriters—To be supplied by amendment.

Offering—As soon as practicable after registration statement becomes effective company will ask for bids under competitive rule of the Securities and Exchange Commission for the sale of the bonds and preferred stock. Prior to the issuance of the securities registered company will acquire common stock, assets and franchises of Erie County Electric Co. Company also proposes to acquire assets and franchises of Keystone Public Service Co. and Bradford Electric Co., affiliated companies. Applications for all such acquisitions are now pending before the Commission.

Proceeds—Net proceeds from the sale of bonds and stock will be applied to the extent necessary to redeem indebtedness and preferred stock of the merged companies as follows: To redemption on Oct. 1, 1943, of all of the outstanding first mortgage gold bonds, 5% series due 1978, of Keystone Public Service Co., including estimated interest, $4,175,000, and to the redemption on or about Sept. 1, 1943, of all of the then outstanding 5% non-voting preferred stock, $100 par, of Erie County Electric Co. $3,500,000, total $7,675,000. Balance of proceeds, if any, will be added to general funds of the company.

Registration Statement No. 2-5195. Form S-1. (8-5-43).

Registration statement effective 5:30 p.m. EWT on Aug. 21, 1943.

Bids for the purchase of the bonds and preferred stock will be received by the company at Room 2624 61 Broadway, New York City up to 12 noon EWT on Aug. 30, 1943.

(This list is incomplete this week)

Public Utility Securities

(Continued from page 823)

basis would be higher). Earnings on United common receded from 22c a share in 1937 to the present deficit.

If the commission follows past precedent in the Federal Water and United Light & Power cases, the new common stock might be assigned in the ratio of 95% to preferred and 5% to common. On this basis, and estimating the liquidating value at approximately $110,000,000, the equity for the preferred would be $42 a share and for the common 38c a share. These figures compare with the present quotations of 29½ and 1.

The management will probably contend that the common stock is entitled to a "better break." The principal basis of such a contention would be future recovery of earning power when the wartime burden of heavy taxes is lifted, permitting Public Service of N. J. and other subsidiaries to pay larger dividends. Moreover, the fact that cash remains ample to take care of the small preferred arrears is a point in favor of the common stock. Preferred stockholders could afford to be generous if this would expedite a settlement, since it might eventually place their own stock on a more regular and assured dividend basis and probably narrow the present gap between market and liquidating values—which seems considerably wider than for the average high-grade investment trust such as Lehman Corp., National Bond & Share, etc.

Government Policies Seen Inflationary

(Continued from page 782)

more and still more.

"When the President nominated industry as the job-giver in his recent radio promises to future veterans he put us on the spot. If government does not permit us to deliver it can then move in on us with its responsibility for the idle war veterans and war plant workers.

"Only recently the Chief Executive seized 15,000 mines when the miners struck and defied the Government and interrupted the supply of coal for our wartime industries. Instead of occupying the management offices with troops, the President should have occupied the union headquarters.

"I think there is evidence that when the struggle ends for the troops, it will begin for free enterprise."

Incident to President Roosevelt's planning a post-war world and the expectation that Congress will also act in the matter, Mr. Sykes said:

"In all this planning there is one fundamental test: what is the intention of each plan?

"We hold it is not the duty of Government to dominate enterprise except in a national emergency. And after the national emergency, it is the duty of Government immediately to set enterprise free. The normal domestic powers of Government are police powers."

Mr. Sykes is also reported as saying that the country might count on getting out of the war into full peacetime operations without any abrupt or large unemployment, were it not for certain bottlenecks under government control.

Association Of Securs. Commissioners To Hold Convention

On Aug. 31, Sept. 1 and 2, 1943, the National Association of Securities Commissioners will hold its twenty-sixth annual convention in Cincinnati at the Netherland Plaza.

On Tuesday afternoon, Aug. 31, there will be an address by Hon. Brooke Claxton, K. C., M. P., D. C. M., parliamentary assistant to the Prime Minister, Dominion of Canada. On Wednesday during the various sessions will be addresses by Mr. Emil Schram, President of the New York Stock Exchange; Mr. Robert R. O'Brien, Commissioner Securities and Exchange Commission; Mr. Jay N. Whipple, President of the Investment Bankers Association of America, and at the banquet Wednesday evening, by Hon. John W. Bricker, Governor of Ohio. On Thursday morning, the president of the Association of Securities Commissioners, Mr. Joseph Schneider, Chief of the Division of Securities of the State of Kentucky, will make an address, and during the day there will be reports of committees and discussions by those attending.

The Association takes considerable pride in promoting mutual understanding, cooperation and good will among the various supervisory bodies and the security industry. In furtherance of this feeling of mutual understanding, securities dealers are cordially invited to attend the convention. In addition to the educational features, the convention affords a splendid opportunity for dealers and commissioners to exchange comments and ideas in the informal atmosphere which will prevail.

A dinner party is being given Tuesday evening under the sponsorship of Ohio and Kentucky dealers, to which all those attending the convention are cordially invited.

Investment Trusts

(Continued from page 825)

Neutrals

Sweden	71%
Switzerland	97%

* * *

"A reasonable expectation is that wholesale price controls, which are relatively easy to enforce, will be well maintained through the rest of the war and that **the over-all index at war's end should not be more than 10% above the present level.** Beneath the surface, however, inflationary force goes on gathering strength. . ."

"As a matter of fact, we may add, **there is no solution** of the problem now in the making or in prospect. The practical question to consider is not **whether** post-war inflation is coming but only **how much and when. . . .**"

"The wholesale price index, at war's end, after allowing for an assumed 10% rise from the present level, will be 27% below 1920 and 19% above 1929. Obviously, in view of the tremendous enlargement of buying power activated by strong buying motives, prices cannot conceivably stay put on the war's-end level. How much higher they will go is not calculable when so many factors, including human reactions, are unknown.

"It would be indeed surprising, however, if wholesale prices were not at least doubled on the average; and there is no apparent reason why they should stop at that point. In other countries, under broadly similar circumstances, inflation has reached much greater heights.

"We have already suggested that the post-war inflationary boom will develop rapidly. The stage will be set well in advance; the actors will be ready, for inflation is almost universally expected; and the big show will start promptly. If so, it is not likely to have a long run—**perhaps two or three years, judging by previous experiences, before it reaches its culmination, and a new kind of show begins.**"

Attractive Peace Stocks

Majestic Radio & Television Corporation, Bendix Home Appliances, Inc., and Loft Candy are three attractively situated peace stocks, according to a memorandum issued by J. Arthur Warner & Co., 120 Broadway, New York City. Copies of this interesting memorandum may be obtained from J. Arthur Warner & Co. upon request.

Attractive Possibilities

The first mortgage 6s and common stock of Empire Sheet & Tin Plate Co. offer interesting possibilities at current levels according to a memorandum being distributed by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this memorandum may be had from the firm upon request.

Ins. Stock Looks Good

North American Life Insurance Co. of Chicago offers an attractive situation, according to a circular being distributed by A. A. Bennett & Co., 105 South La Salle St., Chicago, Ill. Copies of this interesting circular may be obtained upon request from A. A. Bennett & Co.

Interesting Situation

Great American Industries offers an attractive situation at the present time according to a circular being ditsributed by L. D. Sherman & Co., 30 Pine Street, New York City. Copies of this interesting circular may be obtained from the firm upon request.

Stokely Interesting

Stokely Bros. & Co. 5% preferred offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting basic report upon the situation may be had from Reynolds & Co. upon request.

Situations of Interest

The current situations in The National Radiator Company and Public National Bank and Trust Co. offer attractive possibilities, according to memoranda being distributed by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

"Our Reporter On Governments"

By S. F. PORTER

There's a story around that the main association of the savings banks has just recommended sale of all tax-exempt bonds held by these institutions and maturing before 1951 and reinvestment of the funds in the new 2% bonds, to be issued in September. . . . For these banks, such advice definitely makes sense. . . . In fact, what's surprising is that it has to be given at this late stage. . . . Any institutions which don't need tax-exemption and are favored under the law certainly may benefit themselves by buying taxables, increasing their yields and freezing the high profits in the exempts. . . . Insurance companies have been liquidating their exempts for months, are now about finished with the program, according to best reports. . . . The larger, more alert savings banks also have been on a selling program for months, are today pretty nearly done with the job. . . . So the advice to other savings banks to liquidate the shorter-terms and buy the more profitable 2s may be considered as directed at smaller, out-of-town institutions. . . .

And the pressure on the exempts due up to 1951 may be traced to this source. . . . That pressure has been noticeable, incidently. . . . Particularly on such issues as the 3¼s of 1946-44, the 4s of 1954-44, the 2¾s of 1947-45, the 3¾s of 1956-46, the 3s of 1948-46 and the 4¼s of 1952-47. . . . All high-premium bonds, all with short maturity dates and near-term call dates. . . . And on a yield basis, a savings bank may look with envy at the return to be received on the when-issued 2s of 1953-51. . . .

But the most intriguing point of this report is the chance it gives to commercial banks and other institutions and individuals to pick up some tax-exempts while the market is quiet and under some disadvantage. . . . Buying short-term exempts isn't so smart. . . . The need for constant roll-over is too geat, the nuisance of holding a bond you know you'll have to get rid of in the near future seems too overwhelming. . . In addition, the premiums are on the heavy side. . . . But buying long-term exempts during this period of dullness is something else again. . . . While the market is absorbing the liquidation of the short-term exempts, the longs may not get anywhere. . . . They've this pressure and the general "sidelines psychology" to battle beween now and September and the fact that they're holding up so well is surprising indication of their inherent strength. . . . But buying for a quick profit and a long turn are two different things. . . .

And the long-term exempts still carry the same advantages to institutions bothered with tax problems as they did three months ago, when everybody was bullish and praising the exempts was the order of the day. . . .

THE DRIVE

Secretary Morgenthau was smart to omit mention of the subscription goal for banks when he issued the last circular describing the September "basket." . . . Good idea to leave this subject of bank totals strictly alone until both the Secretary and the market can tell how the fall campaign is going. . . . Then Morgenthau can boost or cut the subscription goal, depending on the amount of billions he gets from non-banking sources. . . .

As for his comment on non-trading in the 2s until after the banks buy their bonds, that's also excellent common sense. . . . The way the circular reads is this:

"In keeping with this objective (sale of bonds to non-banking investors), the official circulars governing the 2% bonds and the certificates of indebtedness contain an express request that commercial banks not purchase and that subscribers not trade in these securities (the 2s and c.is) until ten days after the close of the drive, or until after the books close on an offering of the same or similar securities for the exclusive subscription of commercial banks for their own account shortly after the conclusion of the drive, whichever is earlier."

To get the meaning of this, think back to the December financing. . . . During that campaign, the banks received their privilege of subscribing first. . . . Their books were closed and then for three weeks thereafter, non-bank subscribers purchased their allotments. . . . The market was "caught" as a result of that procedure. . . . For bankers who didn't receive what they wanted of the December issues on subscription simply turned to non-banking friends and ordered whatever additional amounts they wanted through these mediums. . . . Maybe they paid up 1/32 or so for the assistance, but they rounded out their portfolios while the actual market was "sitting," awaiting the conclusion of non-bank subscriptions in order to place a price on the new obligations. . . . It was all rather confusing, unnecessarily so. . . .

This time, non-bank subscriptions will be finished with before the banks come in. . . . Then after all books are closed, trading will begin. . . . And people who bought on the non-banking drive will know within 10 days or two weeks what premiums are going to exist on the various issues. . . .

THE NEW 2s

Those 2% bonds probably will be excellent for trading and quick profit purposes. . . . Judging from the way the outstanding 2s are remaining firm and from the general stability of issues in the 1943-51 range. . . . For instance:

The 2s of 1955-51 are bid at 100.14, offered at 100.16;
The 2s of September, 1952-50 are at 100.18, 100.20;
The 2s of March, 1952-50 are at 100.25-100.27;
The 2s of 1951-49, due in June, September and December are selling between 101.1 and 101.12.

These new 2s will be 1953-51 bonds, which puts them right in there, snugly fitting between the 1955 issue and the 1952 loan. . . .

Another highly significant indication is the high quotation on the maturing 3¼s of 1945-43, to be paid off through an exchange offer also shortly after the close of the third war loan drive (What a month for Government financing!) . . .

The 3¼s today are selling at 100.16-100.18, equivalent to a minus yield of 4/32. . . . In short, the holders of these are wagering right now on at least a ¼ point premium on the new 2s. . . . And that's a sufficiently high premium guess for this early date in August. . . .

INSIDE THE MARKET

Chances for any important action in the market between now and mid-September are slight. . . .

Savings banks to some extent are liquidating the short-term exempts. . . . Commercial banks also are getting ready for the drive and are not going to enter the lists and use up their cash now to pick up securities. . . . Individuals following the same course and dealers just sitting along and waiting too. . . . So "waiting market" is not only logical but also unavoidable. . . .

One dealer says he expects a "fluttery" market until September 15 or so. . . . Good descriptive term. . . .

Intermediates and shorts may go off, if slight reaction does continue, more than longs. . . . No major selling pressure on long-term market while there is some showing up in shorter classifications. . . .

Another expert wagers "the 2¾s of 1965-60 will start rising during the September drive." . . . That's the key issue of the long-term tax-exempts, which still is holding the 112 level and is acting beautifully during this consolidation period. . . .

Amusing thing happened on the discount bill issue this past week. . . . Issue was $1,000,000,000 total, as usual. . . . But Treasury, thinking of Armistice Day three months from now, wrote into the offering circular that the issue would mature in 92 rather than 91 days. . . . Apparently, many out-of-town banks didn't notice that difference and placed their bids for the bills on the 91-day basis. . . . Result was the New York banks, which did—and do—watch these things closely nosed out the out-of-town institutions by bidding properly. . . .

Results. . . . New York district was alloted $654,000,000 out of the week's billion-dollar total. . . . A terrific amount for one region. . . .

And second result. . . . The Federal Reserve Bank of New York unquestionably will be called upon to pick up a larger-than-usual amount of the bills under the long-standing repurchase agreements. . . .

INDEX

Forgie To Be Partner In Kohler, Fish Co.

David F. Forgie, member of the New York Stock Exchange, will become a partner in the Stock Exchange firm of Kohler, Fish & Co., 63 Wall Street, New York City, on Sept. 1. On the same date the firm name of Kohler, Fish & Co. will be changed to Kohler & Co.

On Aug. 31, Robert C. MacCorkle, a member of the Exchange, will retire from partnership in the firm.

FIC Banks Place Debs.

An offering of $14,875,000 0.80% consolidated debentures of the Federal Intermediate Credit Banks was made Aug. 17, at par, by Charles R. Dunn, New York, fiscal agents for the banks. The debentures are dated Sept. 1, 1943 and mature June 1, 1944. The proceeds from the sale of the debentures will be used to pay off $14,875,000 of the $31,215,000 debentures maturing Sept. 1, 1943, the balance of $16,340,000 being met from cash on hand. At the close of business Sept. 1, 1943, the banks will have a total of $280,810,000 debentures outstanding.

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The Commercial and FINANCIAL CHRONICLE

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The Financial Situation

After months of conferences and discussions the Treasury now issues a revised scheme for the establishment of an international stabilization fund. Certain modifications have been made and some concessions evidently granted to foreign critics, among them one which further reduces the degree of control which would be exercised by the United States, which plainly would be the largest contributor to the fund. It is, however, officially asserted that the plan is in no sense "official" as yet, but is still in a highly tentative stage, still subject to modifications as future study suggests them. Confidence is, however, expressed that the United States and Great Britain will eventually be able to agree upon a mutually satisfactory program of the general sort here envisaged. Meanwhile further discussions and study are scheduled for the coming months.

Not A Central Bank

Here is a subject of first rate importance. Its importance, however, derives fully as much from the harm that may be done directly by any such program, and by injury which may result from serious misconceptions of the functions of such a fund, as from the possible good that it might do if carefully and wisely organized and managed. The public must not be permitted to gain the impression that what is proposed here is a "world bank," an "international central bank" patterned after the Bank of England or any of the other central banks, or any kind bank in the ordinary sense of the term. The Treasury summary specifically states that "the fund shall deal only with member governments and their fiscal agents and not intrude in the customary channels for conducting international commerce and finance."

In fine, the fund would deal, generally speaking, only with residuary balances remaining after "the customary channels for conducting international commerce and finance" have done their work—and failed. Failed, since otherwise there would ordinarily be no such residuary balances except for short periods of time, and the "customary channels" have ways of their own of dealing with such temporary disequilibria. True, the authors of the plan appear

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The News Behind The News

By PAUL MALLON

The drift of Republican sentiment (judging from returning Congressmen) is headed toward a party declaration at the Mackinac Island conference for international post-war cooperation of a restricted type in which each nation would maintain its own character and sovereignty.

Paul Mallon

The conference, they say, is likely to follow the lines of the Vandenberg-White resolution expressing these same sentiments.

The Willkie people may want more, and some party authorities like Senator Taft would like to be more specific and pledge something like a new league of nations, but the final compromise no doubt will be a sifted average of party opinion. It will resist the pressure of extremists for an international state or world legislature, or a composite world army.

Similarly, the House will adopt, soon after it resumes its session, the Fulbright resolution pledging only international cooperation.

A determined effort will be made to get the Senate to adopt

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Treasury's Revised Currency Program Holds To Gold Basis

Summary Of New Draft

A revised draft embodying the Treasury proposal for a post-war international stabilization fund was made public at Washington on Aug. 19 by Secretary of the Treasury Morgenthau, in accordance with his previously indicated announcement, referred to in our Aug. 19 issue, page 708. It was pointed out in Associated Press accounts from Washington on Aug. 19, that in the revised proposal the United States holds firmly to the idea of basing the plan on gold. The same advices stated that some observers saw in the revision a tendency to lean toward views expressed in the Canadian plan published in July as an effort at compromise between the British and American proposals. The Canadians suggested an $8,000,000,000 fund with guaranteed resources of an additional $4,000,000,000. From the Associated Press we also quote:

"The British plan envisions a world clearing union 'to supplant gold as a governing factor but not dispense with it.' Participating creditor nations would allow balances of currency exchange to accumulate as deposits. The union would be empowered to lend deposits for short periods to debtor nations. Each nation would be given quotas governing borrowings and deposits based on the volume of their world trade.

"Thus, the revision announced by Morgenthau retains the fundamental difference, however, between the original American proposal and the British plan, gold versus world trade volume. Harry D. White, author of both American drafts, emphasized there was no compromise in the sense of bargaining involved in the revision. Mr. White is director of the Treasury's Monetary Research Division.

"The British and American stabilization plans are perhaps best known to the public through the suggested names for their respective monetary units, moneys that would be used exclusively in international bookkeeping. The American plan sticks to the name 'unitas' with a fixed gold value of $10. The British propose 'bancor,' to have a fixed gold value 'but not unalterably so.' The Canadians confined themselves to the term 'the unit.'

"Secretary Morgenthau is said to have emphasized that all the United and associated nations are involved in the idea of monetary stabilization, adding that 'it is not just England and the United

(Continued on page 833)

From Washington Ahead Of The News

By CARLISLE BARGERON

There is a story of Treasury double crossing behind Senator George's statement of a couple of weeks ago protesting against an additional income tax increase this year. It hasn't improved Henry Morgenthau's standing, already pretty low, with the Senate Finance and the House Ways and Means Committees. The two committees had a very definite gentlemen's agreement with Morgenthau, when the 75% so-called forgiveness plan was passed instead of the 100%, that no additional increase in income levies would be sought. George's protest didn't get a favorable reception even in the conservative press. The Herald-Tribune, for example, said it couldn't follow him. It is one of those things that is very difficult to explain. George said that it was impractical to raise income levies further because the raises always have to be uniform and that new taxes would, therefore, be entirely too heavy on certain brackets. What is happening is that the war increases are eating terrifically into the $12,000 and $15,000 incomes. Right along in there, according to the tax experts, the new rates really bear down and if there is a further increase, these incomes will get an awful wallop. But you can imagine how a fight to prevent these incomes from a further beating would fare with the mob. Several members of the two committees think the Treasury is deliberately after this class of taxpayers and there is liable to be considerable bitterness when they get down to work. Morgenthau has let it be known that he is still dead set against a sales tax. Chairman Doughton of the House committee plans to go along with him, against his better judgment, rather than precipitate a party fight. This means that George on the Senate side, will realize the fight for a sales tax is hopeless and that nothing will come of it.

Doughton, a very elderly man, has long since given Morgenthau up. His dander gets up occasionally and most of the time he goes about grumbling but the time has passed when the Treasury Secretary's actions are likely to outrage him.

With George it is somewhat different. Because of the responsibility of his position he has leaned over backwards to cooperate with Morgenthau in spite of some very questionable things he thinks Morgenthau has pulled on him. Morgenthau has a way of pleading with him too, of saying that a lot of influences in the Administration are after him and begging George not to embarrass him. He particularly approached George in this way when Leon Henderson and Marriner Eccles were riding him. But the Senator is going to blow up some of these days. It would not be sur-

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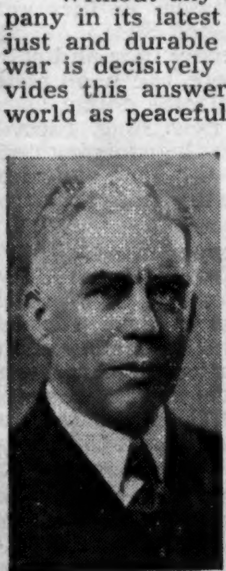
Peace In A New World

After The War Is Won What Kind Of A World Is Essential For A Just And Durable Peace

The International Nickel Company and its Chairman and President, Robert C. Stanley, have received a great deal of prominence in the recent past because the company has been making "PEACE" the theme of its advertising.

Without any reference to its business, or its products, the company in its latest copy asks, what kind of a world is essential for a just and durable peace after the war is decisively won? And provides this answer: "It must be a world as peaceful and neighborly as your own town; a world in which decent people can bring up their children decently. It must be a busy world where factories and farms are working and where there are jobs for all."



Robert C. Stanley

"How can such a world be brought into being?" The International Nickel Company believes the surest way is to think and talk about it. Or, as their latest advertising copy puts it: "Full and complete discussions on the porches of this country; over its fences; in churches; and always at meals—that is how the terms of a 'Just and Durable Peace' can be formulated."

The company cautions: "In your discussions keep in mind this fact; your terms of peace must be such that the people of other lands can agree with them. There must be provision in your plans for sustained production."

Then, wisely admonishes: "Only a world peace that squares with the conscience of men of good will can be just. Only a just peace can endure."

GENERAL CONTENTS

The Financial Situation

(Continued from first page)

to hold hope that such a fund, by reason of its "official nature," doubtless, and perhaps for other reasons, would be able to bring pressure upon various member countries for the purpose of causing them to pursue policies conducive to international equilibrium. The fact remains, however, that no effective means for making itself effective would lie in the hands of the fund except to the degree in which it succeeded it making it worth the while of the various countries to remain a member in good standing of the fund—and, moreover, many policies and many courses of action which customarily cause disequilibria among the nations of the world lie largely beyond the control of non-dictatorial governments in peacetimes.

Stability Must Rest On Deep Foundations

It is essential that it be widely understood both here and abroad that stable international exchange relationships are at bottom not a product of banks or funds, whether operated by government or private enterprise. Government may do much to encourage, and often does much to make more difficult, the attainment and maintenance of such stability. It encourages stability largely by keeping its hands off financial affairs, and it usually impedes progress when it intervenes either directly or by devious means. Smooth and efficient international interchange of goods and services is greatly facilitated by sound banking; it may be, and not infrequently has been, injured by unsound banking, particularly, perhaps, when banking operations have been semi-political in character.

But the point is that normal and natural international trade generates its own power. It flows from the natural advantages to be derived from the interchange of goods, and it is most helpful in the long run when it is left fully free to respond to the differentials in costs which give rise to it. The stability of exchange rates which was enjoyed for many years under the international gold standard centered on London prior to the first World War doubtless could never have been achieved without that really remarkable financial system that had developed in London, and which on the whole was so well managed by the British financial interests. It is, however, equally true that no such financial system could conceivably have developed in vacuo. It in turn evolved out of a complex of industry and trade which through those years was also centered in London. London was likewise the center of a capital market which was as internationally minded as any that ever existed before or since. And nowhere else in the world was the play of natural economic forces left so free to operate.

Are We Willing To Make Stability Possible?

The outlook for re-attaining anything approaching the stability of international exchange rates in the years to come depends in the last analysis not upon banks or highly publicized "funds," but upon the willingness of the nations, not the least among them the United States, to permit—nay, to encourage—the development of the underlying economic conditions conducive to such stabilization. It is true that some form or system of international finance, centered more or less somewhere, will probably be an essential of such stabilization. That system will, however, not be a governmentally managed "fund" to sit astride the economic and financial world, and probably it will not be a mere replica of the system which worked so well for so long in London, since the fundamentals upon which that particular system rested no longer exist and are not likely to come back into existence. But a new or revised system, whatever it is, however it may function, and wherever its center may be, will be but a facility to serve industry and trade, which have their mainsprings in the nature of man and in the distribution of aptitudes, energies and resources of the world.

The real question at present is not whether this system or that is most desirable as a means by which to do the financial work of the world in the international sphere, or whether this plan or that is to be preferred for the constitution of some international stabilization fund, but is whether the United States and the other leading countries of the world, including Great Britain, the home of the international gold standard, are willing to permit conditions to exist under which any system can hope to succeed. And here the dispassionate observer must be excused for demanding evidence. It was, it will be recalled, the President of the United States who scuttled the London Economic Conference in terms which hardly are suggestive of willingness to permit the essentials of international stability to exist. Since that time much has been said about the desirability of stabilization, and a good deal of exchange manipulation has been undertaken, but all this is far from recognizing and accepting the fundamentals of stable international economic relations. Lord Keynes, who appears to be the guiding spirit in Great Britain, has long been on record as placing domestic schemes of a more than doubtful sort ahead of international exchange stability.

Temporary Or Permanent Problems

Of course, no one whose ideas are worth a second thought doubts that the war will leave international financial relationships in chaos. It will likewise inevitably leave conditions which must be corrected for humanity's sake. It will leave others which probably cannot be neglected—more or less regardless of cost—lest political chaos spread around the world. There will obviously be a sharp necessity for governmental action of a financial sort in a number of such cases. Probably arbitrary stabilization operations of one sort or another will be essential in some instances. All such things, however, must be as temporary as it is possible to make them, and they will leave the long-term problem of stability of international exchange relationships, soundly based upon solid economic foundations, largely where they found them.

The Lawyers Are Right, And . . .

"The lawyers point out . . . that if we are to reduce military power to serve the uses of the law only, the abolition of all but one military force, under a single command, is necessary.

"To attain that requires that there be a single sovereign power to direct that force. Unless one country succeeds in conquering all the others, any universal sovereign must be one of delegated authority, that is, a federated government of independent states.

"It seems obvious that if there is to be a single agency with delegated powers adequate to keep order on earth, every one of the existing and delegating sovereigns must give up some of the authority which it now has. There is the rub. Nations have heretofore clung to their sovereign powers as individuals have clung to their lives. The question posed is whether the maximum powers the nations would surrender could be made to total the minimum power required to make such a system work."—George Maurice Morris, President of the American Bar Association.

Such is indeed the question. And the relinquishment would have to be permanent! No acting under emotional tension, followed by a change of heart or mind!

If anyone supposes that the nations of the world are ready for any such thing, let him consider the day-to-day developments of the present time even among allies under the stress of war.

We are in great danger of deluding ourselves about international cooperation after the war.

B. M. Culver Named Chairman Of Insurance Group of N. Y. Committee Of National War Fund

Bernard Mott Culver, President of the Continental Insurance Co., has accepted appointment as Chairman of the insurance group of the New York Committee of the National War Fund, it was announced on Aug. 19 by James A. Farley, general chairman of the commerce and industry division. Under the aegis of the National War Fund, a single fund-raising campaign will be conducted in October for $125,000,000 for the work of 18 major war-related organizations, including the USO, the United Seaman's Service and various American agencies for United Nations relief.

In making known Mr. Culver's appointment, Mr. Farley stressed the fact that under the National War Fund plan of solicitation, contributors will be "immunized" from multiple appeals. Through a "once-for-all once-a-year" gift payment plan, contributors will be given a receipt for their pledges for the year, and a record of same will be filed at headquarters, Mr. Farley explained. By this method, he said, contributors will be afforded immunity from solicitation by any of the eighteen member agencies of the War Fund, and the War Fund will eliminate confusion in the minds of contributors who in the past have been faced with numerous demands upon their generosity.

"To enable contributors to make their gifts as large as possible, the War Fund will institute a deferred payment plan whereby pledges may be paid in installments over a period of a year," said Mr. Farley.

Mr. Culver's group is one of 280 vocations and professions which comprise the commerce and industry division. This division will be responsible for raising upwards of 50% of the five-borough quota of $17,000,000. This sum includes $1,000,000 to finance the work of the New York City Defense Recreation Committee, presently serving upwards of 1,000,000 service men a month. The fund-raising campaign is scheduled to start October 1, and will terminate Dec. 7, 1943, the second anniversary of Pearl Harbor.

The State Of Trade

Most of the heavy industries showed increases for the week, with power production showing its fifth consecutive weekly gain. Retail trade took on a more subdued tone last week as a seasonal lull continued. However, substantial gains are being shown over the figures of last year.

The steady rise for five weeks of power production is clearly indicative of the pace of war industries. Increasing its war production total by more than 80% in the last twelve months, the automotive industry has now reached an annual output rate of $9,300,000,000, according to the Automotive Council for War Production.

The Edison Electric Institute reports that electric power production set a fifth consecutive record in the week ended Aug. 14, with total output at 4,287,000,000 kilowatt hours compared with the preceding week's peak of 4,240,638,000.

This compares with 3,654,795,000 kilowatt hours in the like 1942 period and 3,238,160,000 in the similar week of 1941.

Against the same week of 1942 the increase for the country as a whole was 17.3%.

Carloadings of revenue freight for the week ended Aug. 14, totaled 887,165 cars, according to the Association of American Railroads. This was an increase of 15,088 cars over the preceding week, 18,320 cars more than the corresponding week in 1942 and 3,172 cars below the same period two years ago.

This total was 124.22% of average loadings for the corresponding week of the ten preceding years.

Steel operations this week will set a new high record at 99.4% of capacity on a revised capacity basis, according to the American Iron & Steel Institute. The current schedule is equal to production of 1,732,500 net tons of ingots and castings, compared with 1,731,700 tons in the week of April 26, the previous peak week.

At the same time the institute revealed that the industry's productive capacity has risen to 90,881,000 tons a year, an increase of nearly 10,000,000 tons in the last three years.

Under the original steel expansion program the institute pointed out, a goal of 96,000,000 tons was to have been reached by July 1. However, the relatively low priorities which were assigned to steel-plant projects, compared with other projects such as synthetic rubber and octane gasoline, delayed the delivery of needed materials and equipment.

Department store sales on a country-wide basis were up 4% for the week ended Aug. 14, compared with the like week a year ago, according to the Federal Reserve System.

Store sales were up 10% for the four-week period ended Aug. 14, compared with the like period last year.

Department store sales in New York City in the week ended Aug. 21, were 3% larger than in the corresponding week of last year, according to a preliminary estimate issued by the Federal Reserve Bank of New York.

In the previous week, ended Aug. 14, sales of these stores declined 2% from the total of the comparable week last year.

Reports from the field indicate that forthcoming department store earnings reports for the first half (ending July 31) of their current fiscal year will make a phenomenal showing. While that six months is normally not a profitable period in the department store field, which usually makes its real earnings during the holiday season, this year is an exception. In some cases, net results will be shown to have been the best for any first half-year in a decade; in others, the best in the history of the corporation.

Department store sales the country over averaged 17% higher in the six months ended July 31, than in the corresponding 1942 period. While volume in household appliances and related lines was down sharply, wide increases were shown in furs and other nonrestricted items.

In addition many new and substitute lines were taken on with the result that total dollar sales established a new high record. Price indexes to the contrary notwithstanding, higher average prices also contributed to the sales gain.

Operating revenues of eighty-seven class I railroads in July, 1943, experienced a 17.7% rise over the same period last year, according to statistics made public by the Association of American Railroads. Total revenues were estimated at $633,259,351 for the month as compared with $537,894,040 a year ago.

Passenger revenues accounted for most of the increase, totaling $124,368,156, compared with $75,254,976 in July, 1942, an increase of 65.3%.

Freight revenues increased from $429,484,468 to $467,456,736, an increase of 8.8%.

Jobs After The War

ROGER W. BABSON GIVES SUGGESTIONS TO SOLDIERS

The stock and commodity markets have already begun to discount peace, although I see no hope therefor until after the elections of 1944. However, if we should prepare for war in time of peace, we should prepare for peace in time of war.

Navy vs. Army Inductees

Germany will surely be licked before Japan is conquered. In some ways this should help materially in the shifting from war work to peace work. A year between these two events should serve as an industrial and employment cushion. There are, however, three other things which would surely result from such an event. Let me explain these.

Roger W. Babson

(1) The East will return to normal before the Pacific Coast. This applies to the supply of gasoline, fuel oil and other things to which the East is now severely rationed. The Pacific Coast may then be subject to more rationing restrictions and other so-called hardships. (2) The Army will commence demobilization before the Navy and Air Forces. In fact, the Government will probably begin to demobilize the Army as soon as Europe is straightened out; while the Navy men will probably be held for their entire term of enlistment or induction. (3) With the exception of the transcontinental lines, railroad earnings should then begin to drop and much war work **in the East** will then be curtailed.

Employment Adjustments

Following the above three certainties there will be a readjustment in employment. As firms in the East drop war work, plants must be retooled for peace. This will mean a temporary layoff of many employees which, added to the demobilized soldiers, should cause a temporary period of unemployment. According to the President's last fireside talk, this employment adjustment period will be taken care of by the Government (1) paying a small salary to the soldiers for awhile after demobilization, and (2) loaning money to the plants for reconversion back to peace work.

In this connection it is well to remember the Act of Congress which provides that all employers who are able to do so shall take back any inducted employee who applies within 60 days after honorable discharge. This assumes that the man will have the same job at his former salary. However, if by that time salaries in general have been increased, it seems only reasonable that he should have the same pay that others who are doing his former work will then be getting. A general wage **reduction,** especially for new employees may be expected, nevertheless, after the war is over.

Consider Different Industries

Industries may be divided into three groups.

Group I. Companies which should suffer severely after peace comes: Aircraft or radio manufacturing, shipbuilding, munitions and machine tools. They must permanently reduce their number of employees after the war.

Group II. Companies which will take some months to change over to peace-time work: Automotive, railroad equipment, heavy machinery, refrigerator, sewing machine, carpet, vacuum cleaner, and electrical equipment companies. These may **temporarily** lay off some employees after the war.

Group III. Companies which should do well after the war and have very little conversion problems: Air transport, insurance, retail trade, textile, baking, fertilizer, furniture, shoe, meat packing, milling, glass and jewelry, dry goods, tobacco, soap, natural gas, petroleum, soft drinks and paper companies. **These should permanently increase their number of employees after the war.**

More Education Desirable

The three groups above need no further comment. It should be self-evident that Group III represents the best immediate post-war opportunities. Group I represents the poorest opportunities. It almost seems as if many of those now engaged in Group I industries must get into some other industry after the war. Surely, unemployed soldiers should not now plan to get employment with the Group I industries after the war is over. As to Group II industries, these should provide for those who were in them before they were inducted; but I doubt if they will have opportunities for many more men **or any more women.**

Very few returning soldiers will feel justified in starting a four-year college course after returning from the war. They may be wise in completing a college course already started if one or two years more will give the desired degree. All men who can afford it, however, should take a one-year or two-year course to become an expert in some one line of work such as accountancy, merchandising, engineering, machine repairing, insurance or any of the other lines mentioned above in Groups II and III. I, however, cannot now recommend aircraft, radio or certain other lines in which a great surplus of Army men are now being trained, many of whom will be a drug on the market after the war is over.

Importance of Good Habits

I recently asked a group of employment managers what kind of men will be most demanded by employers after the war is over. The unanimous reply was: "We fear that the war is breaking down the moral foundation of many weaker men; if so, they will find it difficult to get positions after they return. We employment managers will then give special consideration to the character and habits of those who apply to us for positions. We will seek for men of good habits, especially those who do not touch liquor."

In rereading the above, I find that I have made no reference to the WACS and the WAVES and SPARS. As these have enlisted, rather than been drafted, I fear they may be out on an unemployment limb after the war is over. However, legislation could be passed which might be made retroactive in their cases. I have a feeling that the current advertising for and the soliciting of girls to enlist in these divisions of the armed services may be being overdone. However, "Women" is a subject that I should not discuss. I am too much prejudiced in their favor to give impartial judgment as to the present need of sending girls into the war. Besides, statisticians believe the country now is more in need of **good babies** than of **lady soldiers.** Of course, we may be wrong.

Col. Hewes Chairman Of Conn. War Finance

The Treasury Department announced on Aug. 20 the appointment of Col. Thomas Hewes, of Hartford and Lyme, as State Chairman of the new Connecticut War Finance Committee, and Grosvenor Ely, of Norwich, as Vice Chairman in charge of the Banking and Investment Division. The Treasury announcement added:

"The new committee will carry on all the war financing activities in Connecticut formerly directed by the War Savings Staff and the Victory Fund Committee, and will be in charge of the promotion and operation of the Third War Loan in September.

"Robert B. Newell of Hartford, formerly co-chairman of the Victory Fund Committee and chairman of the State War Savings Committee, who is unable to accept appointment to an administrative office, will actively participate as a member of the new committee.

"The appointment of E. Greenleaf Stewart, of Farmington, as Executive Manager of the War Finance Committee, also was announced. Mr. Stewart is the Connecticut representative of Smith, Barney & Co., New York investment bankers, and has been serving as chief deputy administrator of the War Savings group.

"Col. Hewes is a member of the law firm of Hewes, Prettyman & Awalt. He was formerly an Assistant Secretary of the Treasury and has been State Administrator of the Connecticut War Savings Staff. Mr. Ely is President of the Chelsea Savings Bank in Norwich and one of the leading bankers of Connecticut."

Lewis Warns Coal Output May Be Cut

John L. Lewis, President of the United Mine Workers of America, on Aug. 23, in pleading for recognition of the "human rights" of miners, attacked what he called "commercial exploitation" by anthracite operators and warned that unless miners' wages are kept at proper levels declining coal production may impair the war effort, United Press advices state. His plea climaxed a War Labor Board hearing on deadlocked wage contract negotiations between anthracite operators and UMW spokesmen for the 77,000 hard coal workers.

Mr. Lewis struck back angrily at the operators' arguments opposing a general wage increase and portal-to-portal compensation.

Ton-Miles Of Revenue Freight Up 8.9% In July

Railroads of Class I in the United States handled about 9% more ton-miles of revenue freight in July, 1943, than was handled in the corresponding month of 1942, according to a preliminary estimate prepared by the Association of American Railroads and made public Aug. 21.

In the first seven months of 1943, Class I railroads performed nearly 19% more revenue ton-miles of service than in the same period of 1942, 62% more than in the same period of 1941, and 138% more than in the first seven months of 1939.

The following table summarizes revenue ton-mile statistics for the first seven months of 1943 and 1942:

Revenue Ton-Miles of Freight
(000 Omitted)

	1943	1942	% Inc.
First 5 mos.	291,995,270	236,303,940	23.6
*Mo. of June	58,000,000	53,852,328	7.7
†Mo. of July	62,000,000	56,956,174	8.9
To. 7 mos.	411,995,270	347,112,442	18.7

*Revised estimate. †Preliminary estimate.

Wallace Exonerates 95 or 99% Of Corporations From Recent Criticisms Of Big Business

Exonerating "95 or even 99%" of American corporations from his recent denunciation of big business Vice-President Henry A. Wallace on Aug. 19, at the same time warned that "the common folks" must see through the propaganda of groups demanding a return to "old-fashioned Americanism." The modification of Mr. Wallace's earlier remarks was indicated in United Press accounts from Washington Aug. 19, from which we also quote:

"By old-fashioned Americanism they really mean corporation-controlled government," he said in an interview. "By free enterprise they really mean free enterprise for big business, but not for little business.

"It's vital for the people who buy from the corporations, who sell to them, who work for them—the common folks—to see through the propaganda of certain of the big corporations."

Mr. Wallace has been criticized for his remarks in Detroit on July 24 denouncing "American Fascists" as the "big-business haters" of President Roosevelt.

Mr. Wallace said in elaboration that he meant "large groups in international affairs whose objectives are the control of governments."

"They are a small minority," he said. "Perhaps 95 or even 99% do not fall into that category and they have suffered as much because of this minority as any one else—possibly they've suffered more."

He said his remarks had been widely misinterpreted.

"I hope to give before some group such as the United States Chamber of Commerce a more complete exposition in order that the big business men will not be under any delusion," he said.

It was learned from other sources that Mr. Wallace will pursue in a speech on international relations at Chicago on Sept. 11 his attacks on international cartels, which he charges seek to dominate the political and economic status of the governments.

"The corporate form of organization is essential in a democratic country like the United States for efficient carrying on, not only of large scale business, but also many types of small scale business," Mr. Wallace said.

"The difficulty with corporations comes when certain of the larger ones try to control the agencies of public opinion, including even the schools, and then go on to dominate elections, control state legislatures, the national Congress and even the President himself."

He said he hoped in the post-war period we would continue to have corporations, both large and small, including "those which have been guilty of trying to control public opinion, elections and government." But he also hoped that the tax system would be so modified as to encourage small corporations and enable them to play an important part in furnishing employment.

"The corporations which need to be watched most closely," he said, "are those which move in international trade, and those which enter into international cartels respecting markets, prices and the use of inventions.

"These corporations are often interested in getting subsidies from their government and therefore are especially interested in controlling government. They move in foreign affairs and therefore are interested in the State Department or Foreign Office. To make money they enter into arrangements with foreign corporations and foreign governments."

Reference to Mr. Wallace's criticisms of "isolationists," "reactionaries" and "American Fascists," in which he was quoted as saying that "sooner or later the machinations of these small but powerful groups which put money and power first and people last, will inevitably be exposed to the public," appeared in our July issue on page 427.

Ploesti Bombing Well Worthwhile: Roosevelt

An exchange of messages between King George of Great Britain and President Roosevelt regarding the American bombing of German-used oil refineries in Rumania was made known in Washington on Aug. 16. The President's message was sent in reply to that of the King, which commended the achievements of the United States Air Force in attacks on the oil refineries. In making public the messages Associated Press advices from Washington Aug. 16 reported:

"Secretary of War Stimson recently said that about 175 big bombers took part in the raid and that about 20% were missing. The The War Department reported yesterday that military analyses showed that the 'vast bulk of the operating capacity' of the refineries at Ploesti was destroyed."

The President's reply to the King acknowledging the latter's congratulations follows:

"Thank you very much for your telegram of congratulations on the long range bombing of the Ploesti oil refineries.

"Later information leads us to believe that the damage to the refineries was greater than we had anticipated and that a large number of them have been put out of commission. This attack seems to have been well worth while."

The King in his message said:

"I have learned with deepest admiration of the memorable and inspiring achievement of the United States Ninth Air Force in attacks on Rumanian oil refineries.

"The bombing of this heavily defended center of Axis production after one of the longest operational flights of the war called for endurance and courage of the highest order as well as for practical skill in navigation and for brilliant organization on the part of those who planned the attack.

"The gallantry with which the crews pressed home their attacks at a very low level was beyond praise and their devotion to duty in spite of heavy losses has stirred the hearts of all who fight with us in the cause of freedom."

ABA Trust Conference To Be Held In Chicago

A Mid-Continent Wartime Trust Conference sponsored by the Trust Division of the American Bankers Association will be held in Chicago at the Drake Hotel, Oct. 14 and 15, it was announced Aug. 12 by Louis S. Headley, President of the Trust Division, ABA. Mr. Headley is Vice President of the First Trust Company of St. Paul State Bank, St. Paul, Minn. Speakers from eleven States are being invited to participate in the program, which will include discussions on these wartime trust problems: Taxes, manpower, operations, fees, special problems of smaller trust departments, powers of appointment, employees' trusts, investments, Washington developments, and postwar influences affecting ownership of property.

The Corporate Fiduciaries Association of Chicago will act as host to the conference. Committees have been appointed by Chester R. Davis, President of the Chicago Association, and Vice President and Trust Officer of the Chicago Title and Trust Co., to make arrangements for the meeting.

President Authorizes War Labor Board To Enforce Sanctions Against Strikers

Under action announced on Aug. 16 President Roosevelt has authorized the use of sanctions by the War Labor Board in the enforcement of its orders against defiant unions. Pointing out that this is the administration's first move to penalize unions for ignoring or disobeying WLB decisions, although employers have been acted against in some cases, Associated Press advices from Washington on Aug. 18 noted that the broad statement of policy, effective at once, is enunciated under the recently enacted Connally-Smith anti-strike act. A letter from the President to Chairman William H. Davis of the WLB and an Executive Order by the President empowering Stabilization Director Fred M. Vinson to proceed against recalcitrants as reported to him by the board comprised the White House announcement on Aug. 16; in his letter the President indicated that he had been informed "that during the past 18 months the Board disposed of over a thousand disputes" and that "only 7 had to be referred to him because of persistent non-compliance." The President expressed it as his "earnest wish" that the sanctions described by him, which, he said, "exist only as a matter of war time necessity," may not have to be invoked. The program outlined by the President in his letter to Mr. Davis to bring about compliance "in the relatively few cases in which executive action may become necessary" was summarized in an Associated Press Washington account, published in the New York "Sun:"

1. Government seizure and operation of a plant where either the employer or the union refuses to comply with a board order.

2. If this could not be done without impeding the war effort, then less drastic sanctions, such as withholding or withdrawing from an employer any priorities, benefits or privileges, including contracts, until compliance has been effectuated.

3. Where a plant is taken over for union non-compliance to prevent interference with production and protect workers who wish to work, the Government agency taking over shall ask the board to modify its terms of employment order to withhold union benefits and all other rights until the union abides by the WLB decision.

4. In cases where the latter penalty might involve the check-off, the order provides that such dues shall be held in escrow, to be turned over to the union upon compliance.

5. In the case of non-complying individuals, the order tells the stabilization chief to direct the War Manpower Commission to modify draft deferments or employment privileges, or both, for offenders.

The President's letter to Mr. Davis follows:

"August 16, 1943.

"Dear Mr. Davis:

"I am writing you regarding the question of compliance with board orders under the war labor disputes act which you and I have been considering. The act empowers the board to prescribe the 'terms and conditions . . . governing the relations between the parties, which shall be in effect until further order of the board.'

"Congress intentionally left the enforcement of these orders to executive action. I agree with you that it would be helpful, in the light of our combined experience in dealing with disputes under executive order 9017 and more recently under the act, to define a program for bringing about compliance in the relatively few cases in which executive action may become necessary.

"1. When an employer refuses to comply, his plant may be seized and operated by the Government in accordance with the terms and conditions of employment prescribed by the board. Less drastic sanctions, however, including controls of war contracts, of essential materials, and of transportation and fuel, should be applied if this can be done without impeding the war effort. I am accordingly requesting the Director of Economic Stabilization to direct the application of any or all available sanctions of this sort by the appropriate agencies of Government, in cases of non-compliances reported to him by the board.

"2. When a local union refuses to comply, by directing or advising workers not to work under the terms and conditions prescribed by the board, action by the responsible national or international officers has thus far, in all but one or two cases, sufficed to bring about compliance. If such action should prove ineffective, or if a national or international union should itself be the offender, the plant will be taken over under the war labor disputes act and operated by the Government, if this is necessary to prevent interference with production and to protect the workers who wish to work.

"The act provides that in such cases the terms and conditions of employment effective at the time of taking over shall continue, unless the board modifies them upon request of either the union or the Government agency operating the property. As a part of the compliance program the appropriate Government agency at the time of taking over shall ask the board to modify its order so as to withhold from the union (by escrow in the case of checked-off funds) the benefits, privileges or rights accruing to it as such under the agreement or proposed agreement with the employer, until the union demonstrates its willingness and capacity to abide by the obligations thereof. All questions of fact in this connection and the extent of any modification of the order, should be determined by the board. I am authorizing the Director of Economic Stabilization to issue any necessary instructions to Government agencies in carrying out this policy.

"Government operation in these cases will be conducted with the least possible interference with existing management. Plants will be returned to their owners as speedily as conditions permit, and in any event, as provided in the act, within sixty days after the restoration of productive efficiency. The board may of course on its own motion, except during Government operation, modify its orders in any way it deems appropriate to ensure compliance.

"3. As to compliance by individuals, the act contains penalties for certain types of interference with production which it is the province of the Attorney-General to enforce. In addition, sanctions can be applied by the Selective Service and the War Manpower Commission, and I am requesting the Director of Economic Stabilization to direct the application of any or all of such sanctions in necessary cases upon report by the board of non-compliance.

"I am informed that during the past 18 months the board disposed of over a thousand disputes. Only seven had to be referred to me because of persistent non-compliance. This is a remarkable record, in the making of which the industry, labor and public members of the board have each played an effective part. They could not have succeeded, however, without the patriotic support given to the national no-strike, no-lockout agreement by the great mass of American employers and workers and their leaders. I am confident that that agreement which calls for final determination by the board of all disputes not settled by collective bargaining or conciliation, will continue to be supported, and it is my earnest wish that the sanctions described above, which exist only as a matter of wartime necessity, may not have to be invoked.

"Sincerely yours,

"FRANKLIN D. ROOSEVELT,

"Hon. William H. Davis,
"Chairman, National War Labor Board,
"Washington, D. C."

We also give as follows the President's Executive Order:

EXECUTIVE ORDER

Authorizing the Economic Stabilization Director to Take Certain Action in Connection with the Enforcement of Directives of the National War Labor Board.

By virtue of the authority vested in me by the Constitution and the statutes of the United States, it is hereby ordered:

In order to effectuate compliance with directive orders of the National War Labor Board in cases which the board reports to the Director of Economic Stabilization that its orders have not been complied with the director is authorized and directed, in furtherance of the effective prosecution of the war, to issue such directives as he may deem necessary:

(A) To other departments or agencies of the Government directing the taking of appropriate action relating to withholding or withdrawing from a non-complying employer any priorities, benefits or privileges extended, or contracts entered into, by executive action of the Government, until the National War Labor Board has reported that compliance has been effectuated;

(B) To any Government agency operating a plant, mine or facility, possession of which has been taken by the President under Section 3 of the war labor disputes act, directing such agency to apply to the National War Labor Board, under Section 5 of said act, for an order withholding or withdrawing from a non-complying labor union any benefits, privileges or rights accruing to it under the terms or conditions of employment in effect (whether by agreement between the parties or by order of the National War Labor Board, or both) when possession was taken, until such time as the non-complying labor union has demonstrated to the satisfaction of the National War Labor Board its willingness and capacity to comply: but, when the check-off is denied, dues received from the check-off shall be held in escrow for the benefit of the union to be delivered to it upon compliance by it.

(C) To the War Manpower Commission, in the case of non-complying individuals, directing the entry of appropriate orders relating to the modification or cancellation of draft deferments or employment privileges, or both.

FRANKLIN D. ROOSEVELT.
The White House.
August 16, 1943.

In United Press accounts from Washington it was stated:

"There was no indication that the Board would swing its new weapon immediately in the direction of John L. Lewis, whose United Mine Workers have staged the most spectacular insurrection against the WLB. Rather it was expected that any action on the case of the mine workers would await return of the coal mines to private operation. The miners have been back in the pits without a contract since Secretary of the Interior Ickes took over the mines as Government administrator after the strikes of eary summer."

Brownlee Named Deputy OPA Administrator In Reorganization After Congress Shake-Up

James F. Brownlee, for a number of years an official of the General Foods Corp., took office on Aug. 16 as Deputy Administrator in charge of prices in the Office of Price Administration. Announcement of this was made by Chester Bowles, new OPA General Manager, who said that Mr. Brownlee as Deputy Administrator will assist Mr. Bowles in completing the reorganization made necessary by the Congressional ban on persons in policy-making positions who lack business experience. Stating that Mr. Brownlee is one of the nation's leading business executives, Mr. Bowles said that "with his sound business background, he will be the key man in the OPA program of making price control practical and effective." Mr. Bowles' announcement also says:

"Mr. Brownlee succeeds Donald H. Wallace, who has been Acting Deputy Administrator since the resignation of J. Kenneth Galbraith in June. Mr. Wallace came to the predecessor of OPA early in 1940 from Williams College. He and two price division heads who are without direct business experience will leave their old positions today but will be retained for the present as economic advisers. . . .

"Division directors retained with Mr. Wallace as economic advisers are Clair Wilcox, who has been director of the Industrial Manufacturing Price Division, and R. B. Heflebower, who has been director of the Food Price Division. It is expected that successors to these men will be announced shortly.

"The dropping of the three men from their policy-making positions was mandatory under the Congressional ban which forbids payment of salary, after Aug. 15 'to any person in the Office of Price Administration engaged in directing any program of price policy, price ceiling, or maximum price, unless such person, in the judgment of the Administrator, be qualified by experience in business, industry or commerce.' "

In retaining the three as economic advisers, Mr. Bowles said:

"The formation and administration of war-time price regulation requires many diverse skills. Congress has directed that those in policy-making positions shall be skilled in business. We shall scrupulously adhere to this requirement and to the expressed wishes of Congress. But the OPA cannot afford to lose the services of these three able and practical men, and we are therefore retaining them as economists to aid Mr. Brownlee and his business-trained price division heads. The authority to direct price policy, however, will remain, in accordance with the Congressional order, solely in the hands of men experienced in business, industry or commerce."

The Congressional order on business experience applies to the heads of the six price divisions under Mr. Brownlee. The head of the fuel price division, Sumner Pike, who is also a member of the Securities and Exchange Commission, has made his career in business. . . .

"In addition to the divisions previously headed by Messrs. Wilcox and Heflebower, vacancies exist in the directorships of three other price divisions. Directors will be named soon. These divisions are industrial manufacturing; textiles, leather and apparel; and services and consumers durable goods.

"In addition to the price division heads and Deputy Administrator in Washington, the OPA regional administrators and district directors must also meet the Congressional requirements for business experience. The regional administrators in all eight regions, Mr. Bowles said, have the required business experience, as do the district directors in all except two of OPA's 105 districts. Those two are Earl W. Clark, Peoria, Ill., and Carl M. Frasure, Charleston, W. Va. Their successors will be appointed by the regional administrators."

Churchill Urges Italy To Break With Germany Or Suffer 'Avalanche Of Fire And Steel'

Prime Minister Churchill told the House of Commons on July 27 that, if the new Italian Government and people decide to continue under the German yoke, the "consequence will be that in the next few months Italy will be seared and scarred and blackened from one end to the other."

Mr. Churchill said that if the Italian people so decide, the "rescuing powers" of Great Britain and the United States will bring "relief from war, freedom from servitude, and, after an interval, a respectable peace in a new and rescued Europe."

The Prime Minister further stated that so far no overtures of peace have been received from the Italian Government and therefore no new decisions by the Allies were called for, except to bring "the maximum avalanche of fire and steel upon all targets of military significance throughout the length and breadth of Italy."

As given in Associated Press London advices, Mr. Churchill's remarks were further reported in part as follows:

"I know little or nothing of the new government," he said. "I express no opinion upon it."

The Allied course, he said, would be to let the Italians "stew in their own juice for a bit" and to "hot up the fire to the utmost" with the aim of obtaining from the Italian Government full facilities for carrying on the war against Germany. These facilities, it was assumed, included air bases.

But in the interest of the supreme object of destroying the Nazi war machine, he warned against throwing Italy into such political chaos as to leave the Allies no Government to deal with or to intrust with the policing of Italy while the war is pursued against Germany.

"The unconditional surrender of Italy should be brought about wholesale and not piecemeal," he said.

Declaring that the British and United States governments were in continuous consultation, he said they were acting in the closest concert in the Italian situation.

The British Government, he said, was conducting an "increasingly successful war and policy" and then he offered a "word of caution."

"The whole outlook of the Nazi party and regime, their whole ideological outlook as it is called, will be disturbed and darkened by events which have happened and are going to happen in Italy," he predicted, "and the overthrow and casting down in shame and ruin of the first of the dictators and aggressor war lords strikes a knell of impending doom in the ears of those that remain."

Nevertheless, he added, Italy's war power was about a tenth of that of Germany's and the Allies must not "allow this favorable inclination of our fortunes to blind us to the immensity of the task before us."

Treasury In Revised International Currency Stabilization Plan Holds To Gold Basis

(Continued from first page)

States'; 'this,' he said, 'is something we hope every member of the United Nations will join.' In his further comments, according to the Associated Press, he said Mr. White concurred with Morgenthau in expressing the belief that there are no 'insuperable differences of opinion,' but he acknowledged that the revised draft places greater emphasis upon gold.

"Mr. Morgenthau said the appropriate Congressional committees were being kept informed of monetary discussions, adding that he intends to appear before them again soon after Congress reconvenes in September.

"Reaffirming that the plan will require legislative action, he said he did not believe it would need to take treaty form. It could be handled, he said, in the same manner as the Tri-Partite Stabilization Agreement of the mid-thirties which brought about creation of the present $2,000,000,000 stabilization fund."

In advices Aug. 19 to the New York "Journal of Commerce" from its Washington bureau it was stated:

"While Dr. White stressed that the new plan is not a 'compromise' between the original White and the so-called Keynes (British) plans, it was noted that the veto power which the United States would have possessed in the earlier American proposal has been relinquished in all cases except one. This exception—an important one—concerns the change in the gold value of the Unitas, the proposed international monetary unit, over which a veto power would be retained.

"At the same time, the importance of gold in the operation of the stabilization fund is increased considerably. The proportion of gold which will be paid in by member countries in constituting their quotas has not only been revised upward, but an entirely new provision requiring countries to pay for 50% of the foreign exchange which they purchase from the fund in gold has been inserted. This provision, it was explained, is intended to discourage any tendency which might arise for a country to resort to the funds' assets and hoard its gold.

"The new plan does not alter the basis for computing quotas which determine a country's participation in the fund and its voting power, notwithstanding the fact that the British plan is based on prewar trade. As in the previous American plan, quotas are determined by a formula related to a country's holdings of gold and free foreign exchange, the magnitude and fluctuations of its balance of international payments and its national income."

As we noted in our issue of Aug. 19, pages 707 and 708, the currency stabilization plans of the United States, Great Britain and Canada are to be considered at a conference to be held in Chicago on Aug. 26, at the instance of Simeon E. Leland, Chairman of the Federal Reserve Bank of Chicago.

The U. S. Treasury's stabilization plan was referred to in these columns April 8, pages 1300-1305; the Keynes, or British proposals were indicated in our issue of April 15, page 1388, while the Canadian plan for an International Exchange Union was given in these pages July 15, beginning on page 201.

In making public on Aug. 19 the revised American proposal Secretary Morgenthau expressed confidence that "England and ourselves will get together on a plan designed to avoid the pitfalls that beset world trade after the last war." He added (we quote from the Associated Press) that differences between the two countries now have been reduced to "one or two." One presumably is that matter of gold. The same advices (Associated Press) said:

"The United States originally suggested last April establishment of a $5,000,000,000 international fund of which this country would contribute $2,000,000,000. This fund would stabilize currencies by fixing the rate at which it would buy and sell member currencies.

"Embodying chiefly technical changes and clarifications based on discussions with and suggestions from monetary experts of nearly 30 countries, the revised proposal alters among other things voting requirements to remove an American veto power over decisions of the fund's governing body. It also sets forth in more precise terms the amounts of gold that would be required from participating governments."

The following is the text of the summary made available by the Treasury Department of its revised proposal for an International Stabilization Fund:

I. PURPOSES OF THE FUND

The United Nations and the countries associated with them recognize, as declared in the Atlantic Charter, the need for the fullest cooperation among nations with the object of securing economic advancement and rising standards of living for all. They believe that attainment of these objectives will be facilitated by international monetary cooperation. Therefore, it is proposed that there be established an international stabilization fund with the following purposes:

1. To help stabilize the foreign exchange rates of the currencies of member countries.

2. To reduce the use of such foreign exchange restrictions and discriminatory foreign exchange practices as hamper world trade.

3. To help create conditions under which the smooth flow of foreign trade and of productive capital will be fostered.

II. COMPOSITION OF THE FUND

1. The fund shall amount to at least $5 billion contributed on the basis of quotas determined by an appropriate formula. The quota of a country cannot be increased without its consent.

2. Each country shall pay in gold 50% of its quota and the remainder in local currency. A country with inadequate gold holdings may have its gold contribution reduced and a country may substitute some government securities (redeemable at par) for local currency.

3. The resources of the fund shall be used exclusively for the benefit of the member countries.

III. MONETARY UNIT OF THE FUND

1. The monetary unit of the fund shall be the unitas, equal in value to 137 1-7 grains of fine gold (equivalent to $10). No change in the gold value of the unitas shall be made except with the approval of 85% of the member votes.

2. The accounts of the fund shall be kept and published in terms of unitas. No change in exchange rates shall be permitted to alter the value of the assets of the fund.

IV. EXCHANGE RATES

1. Initial rates of exchange for member currencies shall be based upon their value in dollars on July 1, 1943. If such a rate is clearly inappropriate, the initial rate shall be determined by consultation between the country and the fund.

2. When essential to the correction of fundamental disequilibrium, exchange rates may be changed only with the approval of three-fourths of the member votes including the countries concerned. Because of the extreme uncertainties of the immediate post-war period, such provision is made for adjusting exchange rates during the first three years.

V. POWERS AND OPERATIONS

1. The fund may sell to any member country foreign exchange required to meet an adverse balance of payments predominantly on current account. One-half of such exchange shall be paid for with gold or acceptable foreign exchange.

2. The fund's total holdings of the currency of any member country shall not exceed its quota by more than 100%, except with the specific approval of the board of directors, and provided satisfactory measures are being taken to correct the disequilibrium.

3. When a member country is preventing or unduly delaying a sound balance in its international accounts, the fund may place conditions upon additional sales of foreign exchange to that country. The fund may also require the country to deposit gold or other suitable collateral.

4. When the fund's holdings of the currency of a member country become excessively small, the fund shall render a report to that country. The fund shall also inform member countries of the probable supply of the currency and of a proposed method for its equitable distribution.

5. Each member country agrees that it will offer to sell to the fund, for its local currency or for foreign exchange which it needs, one-half of the gold and foreign exchange it acquires in excess of its official holdings at the time it became a member of the fund.

6. During the first two years the fund may buy from the governments of member countries blocked balances held in other member countries, not exceeding in the aggregate 10% of the quotas. At the end of two years the fund shall propose a plan for the gradual further liquidation of blocked balances.

7. The fund may levy a charge on the amount of currency held by the fund in excess of the quota of a country. If the fund finds it necessary to borrow currency to meet the demands of members, an additional charge shall be made sufficient to cover the costs of borrowing.

8. The fund shall deal only with member governments and their fiscal agents and not intrude in the customary channels for conducting international commerce and finance.

VI. MANAGEMENT

1. The administration of the fund shall be vested in a board of directors consisting of one director and alternate appointed by each member government. The board shall appoint an executive committee of not less than eleven of its members.

2. Each country shall have 100 votes plus one vote for each million dollars of its quota. No country shall cast more than one-fifth of the aggregate basic votes.

3. In voting on the sale of foreign exchange, the votes of creditor countries shall be increased and those of debtor countries decreased. In voting on proposals to suspend or restore members, each country shall cast one vote.

4. Any country may withdraw from the fund by giving notice of one year. A country failing to meet its obligations to the fund may be suspended by a majority of the member countries.

VII. POLICIES OF MEMBER COUNTRIES

Each member country of the fund undertakes:

1. To maintain by appropriate action exchange rates established by the fund and not to alter exchange rates except as provided above.

2. To abandon restrictions (except on capital transfers) over foreign exchange transactions with other member countries, and not to impose additional restrictions without the approval of the fund.

3. Not to enter upon any new bilateral clearing arrangements or engage in multiple currency practices which retard the growth of world trade or the international flow of productive capital.

4. To give consideration to the views of the fund on any monetary or economic policy, the effect of which would be to bring about a serious disequilibrium in the balance of payments of other countries.

The CHRONICLE invites comments on the Treasury's revised plan, or on any related phases of the subject. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.

Campaign Against Inflation Launched By Life Insurance Companies In Cooperative Effort

The life insurance companies of America, joining in the most comprehensive cooperative effort in their history, inaugurated on Aug. 16 a nationwide campaign to aid in the country's fight to hold down prices and the cost of living by the encouragement of savings and thrift. This program, undertaken in support of the Government's war effort and as a check against the forces of inflation, was announced on Aug. 15 by George L. Harrison, Chairman of the Policy Committee which was appointed to direct this joint effort by the life insurance companies. "In assuming an active role in the battle to hold down prices," said Mr. Harrison, "the life insurance companies have been influenced by the important part that the 67,000,000 policyholders and their life insurance play in the social and economic welfare of the country and by the opportunity afforded to render a service to the nation as a whole. An uncontrolled rise in prices would not only impair the effectiveness of the war effort but it would also seriously complicate the transition of the national economy from war to peace," said Mr. Harris, who further stated:

"The danger that prices may get out of control arises from the fact that there has been a tremendous increase in our national income with no corresponding increase in the supply of goods available for civilian consumption. So long as production must be directed primarily to supply war needs, this disparity between the amount of money which people have to spend and the volume of goods available for purchase is certain to continue.

"In such circumstances the fight against inflation can be won only with the understanding cooperation of the American people as a whole. Government action, alone, is not the complete answer. There is much that all of us can do to cooperate. It is the primary objective of this campaign, therefore, to point out some of the ways in which we may all do our share. With this in mind, the program will embrace a plan of action comprising seven practical things which the Government is asking all of us as our patriotic duty to do:

"1. Buy and hold war bonds—to lend our country the money it needs to fight the war to victory.

"2. Pay willingly your share of taxes—including increased taxes—that our country needs.

"3. Provide for your own and your family's future by adequate life insurance and savings.

"4. Reduce your debts as much as possible and avoid making needless new ones.

"5. Buy only what you need and make what you have last longer.

"6. Live faithfully by the rationing rules to conserve goods of which there are shortages.

"7. Cooperate with our Government's price and wage stabilization program."

Mr. Harrison reports that more than a hundred companies representing approximately 80% of the assets of the life insurance business have thus far agreed to participate in this campaign. The names of participating companies will not be announced until there has been opportunity to hear from all those who have been invited to participate. The campaign will be managed by the Institute of Life Insurance under the supervision and direction of the Policy Committee. The major part of the fund being raised by the companies will be expended on newspaper advertising with frequent insertions scheduled in 285 newspapers in the principal centers of population from coast to coast. Advertising will also be used in certain farm journals to carry the message directly to the agricultural sections of the country.

The Policy Committee, which will direct the campaign, is composed of the following members: M. J. Cleary, President, Northwestern Mutual Life Insurance Co.; Franklin D'Olier, President, Prudential Insurance Co. of America; Laurence F. Lee, President, Occidental Life Insurance Co.; Leroy A. Lincoln, President, Metropolitan Life Insurance Co.; Herbert K. Lindsley, President, Farmers & Bankers Life Insurance Co.; M. Albert Linton, President, Provident Mutual Life Insurance Co., Philadelphia; James Lee Loomis, President, Connecticut Mutual Life Insurance Co.; A. J. McAndless, President, Lincoln National Life Insurance Co.; Gerard S. Nollen, President, Bankers Life Co.; George Willard Smith, President, New England Mutual Life Insurance Co.; John A. Stevenson, President, Penn Mutual Life Insurance Co. and George L. Harrison, President, New York Life Insurance Company, Chairman.

Recapture Of Kiska From Japs Announced

President Roosevelt and Prime Minister W. L. Mackenzie King of Canada on Aug. 21 issued a joint statement in Quebec announcing the American-Canadian occupation of the Island of Kiska in the Aleutians, thus freeing "the last vestige of North American territory of Japanese forces."

The landing of United States and Candian troops began on Aug. 14, the statement said, adding that no Japanese were found.

The joint statement follows:

"A strong force of United States and Canadian troops, supported by surface vessels, have occupied the Island of Kiska in the Aleutians.

"The landing began on Aug. 14. No Japanese were found and it is our belief that the enemy evacuation was made under cover of heavy fog.

"It is evident that the position of the Japanese troops became untenable because of the occupation of Attu, the harassment of enemy supply lines and the recent bombing and bombardments of Kiska by air and surface craft.

"For security reasons this announcement has been witheld pending the unloading of transports.

"The present occupation of Kiska frees the last vestige of North American territory of Japanese forces."

Madden Finds Effective Currency Control Of Utmost Importance In Post-War Reconstruction

Discussing "Some Aspects of Post-War Economic Reconstruction of Europe" a bulletin issued on Aug. 23 by Dean John T. Madden, Director of the Institute of International Finance of New York University, points out that "the economic reconstruction of Europe after World War II will be a much more difficult task than that of 1919." Among other things the Bulletin treats of the restoration of currency and Central Banks, and observes that it has "been fully recognized that the stabilization of a currency is not merely a domestic but rather an international problem," and notes that, "the publication of the Keynes, White and Canadian plans indicates that this fact has been recognized by the leading governments of the world, and that considerable thought has already been given to the problem of placing world currencies on a sound basis." We quote in more detail from the Bulletin as follows:

"The economic reconstruction of Europe involves two distinct steps; namely, resumption of economic activity at the earliest possible time and permanent reconstruction. The problems of immediate reconstruction will arise as soon as one country, or the entire continent, has been liberated. The problems will be pressing indeed. The first task to confront the leaders of countries where governments have been established, or the occupation authorities, will be feeding and clothing the population, providing efficient sanitation, rebuilding homes, public utilities and schools, and supplying farmers with the necessary tools and seed to resume cultivation of the land. Immediate and effective control of the currency system is of utmost importance, since monetary inflation, if not checked, may wreck the relief and rehabilitation schemes, as was the case in Austria and Poland after World War I.

"The nature and method of the permanent economic reconstruction of Europe will depend, to a very large extent, upon the post-war political organization of the Continent. It will take a different form in the event a European federation is organized, or an economic union of states is established, or if the political boundaries of Europe were to return to the status quo. It will also depend on whether there will exist an official international organization (Council of Nations) capable of planning and assisting in the economic reconstruction. Above all, it will depend on the form of government and the economic system that the individual countries or Federation will adopt.

"In any event the economic role played by the individual governments in post-war Europe will be much greater than it was prior to 1914 or during the Twenties because the reconstruction will have to be centrally planned."

In discussing industrial reconstruction the Bulletin states:

"During the period between the two wars the industries in Europe witnessed a mushroom growth. Each country, large or small, endeavored to become economically self-sufficient and established new industries regardless of the availability of raw materials, skilled labor, technical and managerial talent. The industrialization of many parts of Europe was accomplished through the enactment of high protective tariffs, import and exchange restrictions, the grant of subsidies, and government ownership, which often led to high prices for manufactured goods.

"If the restoration of Europe should be on a regional or Federation basis, then in establishing industrial plants consideration should be given to the availability of raw material and labor. As a result of war developments the opportunity will arise for the first time for diversifying and integrating industries in Europe, thus eliminating duplication of plant and equipment and unnecessary competition which led to tariff wars and ultimately to economic and political conflicts. The paucity of capital will be an important factor in preventing duplication of plants.

"The process of industrialization of Europe should be guided by the following objectives: (1) to render Europe interdependent economically and to remove competition employed in the Thirties as a weapon for gaining political aims; (2) to coordinate industry with agriculture and existing raw materials in order to strike a proper balance between them.

"The establishment of a sound industrial structure in Europe could be carried out only if a coordinating body were in existence with authority to enforce its decisions. It would be highly desirable that an international industrial board, on which all nations would be represented, be set up within some organization, such as the League or European Council of Nations, to plan and to coordinate the industrial development of Europe. Such a board would be in a position not only to make constructive plans, to eliminate duplication of plants and unnecessary expenditures of much needed capital, but might also be able to obtain foreign capital."

The problem of restoration of currency and central banks is discussed as follows:

"Two of the most difficult tasks that will confront the various European nations after the war will be the establishment of sound currency conditions and the restoration of the various central banks. In the past, stabilization of currency has simply meant the establishment of a fixed relationship of one currency to gold or to currencies of the leading countries of the world. At present, however, many people believe that a stable currency is one whose internal purchasing power remains relatively unchanged.

"It has now been fully recognized that the stabilization of a currency is not merely a domestic but rather an international problem because the rate at which a currency is fixed is bound to affect other countries, particularly those with which it has important trade relations. The publication of the Keynes, White and Canadian Plans indicated that this fact has been recognized by the leading governments of the world and that considerable thought has already been given to the problem of placing world currencies on a sound basis. The various plans, however, deal only with the machinery needed in the stabilization of currencies without stating how to achieve the prerequisites on which stable currencies can be maintained or the details of actual stabilization.

"Briefly stated the stabilization of currencies will require the following steps:

"1. The formation of some international organization able to provide the individual countries with necessary financial support. The true meaning and purposes of these foreign credits are well stated in the Canadian Plan. 'Extension of credit is not a cure-all; it merely provides time for adjustments in the positions of such out-of-balance situations as a country which consistently sells more abroad than it buys or vice versa.' Without such foreign credits it will be impossible for the individual countries even to attempt stabilization.

"In the Twenties individual countries obtained the necessary foreign credits or gold through the flotation of foreign loans either on their own credit standing or under the auspices of the League of Nations. At the end of the present war most European countries will not be able to obtain foreign loans on their own credit standing. Furthermore, since a number of loans sponsored by the League of Nations went into default, it is obvious that investors in other countries, and notably in the United States, will be unwilling to acquire bonds of most foreign countries unless guaranteed by the United States Government. (Such a guaranty is highly doubtful.)

"Since foreign assistance is a prime essential in the stabilization of currencies, an international organization strong enough to meet these needs is absolutely necessary. The White, Keynes, and Canadian Plans provide for the setting up of such machinery capable of rendering assistance to individual countries. In this respect, therefore, there is unanimous agreement among the various experts, although they differ as to the amount necessary and how the resources of the international organization should be obtained.

"2. The establishment of international machinery to prevent currency wars and to permit changes in the exchange rates of individual countries whenever necessary. Without such machinery individual countries might endeavor to fix an international exchange rate for their currencies which might be harmful to other countries.

"In this respect, too, the various plans offer practical suggestions for meeting the situation that will exist after the war. They contain ideas which could be elaborated and which could lead to the establishment of such machinery.

"3. The third step in the stabilization of currencies is the realignment of currencies among themselves. At present the European currencies, particularly those of countries under German domination, are stabilized in relationship to one another. This stability, however, is meaningless because it is maintained by rigid German orders and there is no possibility of testing the true value of the individual currencies. Moreover, the foreign trade of the German-dominated countries is not based on the price structure, but rests entirely on a system of barter intended to meet the military requirements of the German war machine."

As to the reorganization of central banks the Bulletin states:

"It would be highly desirable if a central banking organization similar to the Federal Reserve System could be established either for the entire Continent of Europe or at least for the individual federal unions of Europe. The establishment of one or several central banking systems on the Continent of Europe will be much easier at the end of the war because under German domination the policies of all existing central banks have been coordinated and for all practical purposes the currency systems have been unified. Such unification would also eliminate friction among the individual economic and political units and would play an important role in the integration of the national economies of the Continent of Europe."

In conclusion the Bulletin has the following to say:

"Planning on an inter-European scale would necessitate the establishment of central organizations with sufficient power to enforce their decisions. The creation of industrial, agricultural, and transportation boards under the supervision of some European council which would direct the reconstruction of industry, agriculture, and transportation would not only eliminate waste and hasten the return of sound ecoonmic conditions but would also play an important role in the integration of the natural resources of the Continent."

United States Approaching Britain In Proportion Of Production Channeled To War

More than two-fifths of the goods and services produced in this country last year were absorbed by the government, or well over twice the percentage taken by government expenditures in 1938, according to a study of the subject made by the National Industrial Conference Board.

This large share of our national output compares with British Government expenditures last year of 54%, which was more than three times the share of national output absorbed by that government in 1938. In that year British Government expenditures were 17% and expenditures of our government were 18% of national output.

The Board's statement regarding the study, issued Aug. 16, also said:

"To arrive at these comparisons, the Board converted this country's national income figures to a market price basis so that they would conform with comparable British statistics.

"Private consumption expenditures have naturally declined in both countries since 1938, but they accounted for about the same proportion last year: 59% in this country and 56% in the United Kingdom. These figures fail to tell the whole story, since consumption in our country last year was at unprecedented heights, while it was low in Britain. The tremendous expansion of our national output, however, kept the percentage of goods and services privately consumed at a low figure. In 1938, private consumption accounted for 81% of the national product in this country and for 79% in the United Kingdom.

"More than 9% of the national product of the United Kingdom last year was contributed at the expense of private fixed capital and there are indications that the United States had also begun to deplete its stock of privately owned capital goods last year.

"From British experience and the similarity of the trends in both countries, further cuts in the share of goods and services going to the people can be expected as the war continues. Government expenditures should continue to increase but at a slower rate, while privately owned capital facilities can be expected to become more rapidly depleted."

From Washington

(Continued from first page)

prising, indeed, if he did not pay his respects to Morgenthau when the Senate reconvenes.

* * *

Just as men have enjoyed their place in the sun and then been kicked off the New Deal Merry-Go-Round, so have the fellows of that ambitious gang in Moscow. Poor old Litvinoff who became a revolutionist while still in his teens, must be wondering now in his later years, if the game was worthwhile.

His recall from Washington marks the second time he has been subordinated. He was demoted from the job of foreign minister and ace diplomat when Stalin signed the pact with Hitler. He went into retirement out of which he bounced when Hitler turned on his old friend. He was sent to Washington, undoubtedly Moscow's most important foreign post, largely because of the build-up the Leftists in this country gave him. Had Britain and France followed his advice at Geneva, they claimed, all of this would not have happened to the world.

They don't come any more cynical than Litvinoff. It was he who came over and signed the agreement by which we recognized Russia in late '33 or '34. He cheerfully agreed that in return for our recognition his Government would not propagandize in this country, and when he was asked about it by fellow Communists a few hours later, he laughed heartily.

But as part of our program of whooping it up for our allies, he was unusually well received when he arrived in Washington this time, just a few days after Pearl Harbor. The White House was thrown open to him; he never had to go through Cordell Hull. One magazine titled an article about him "America's Most Beloved Ambassador." It was a very conservative magazine, too. I wrote the article and it didn't deserve the title. Our press went out of its way to blow him up and our Washington matrons fell over one another to entertain him.

Being as cynical as he was, he smiled to himself and refused all the matrons except his old friends, the Joe Davies. Their party for him was one of the swankiest things Washington had seen since the late Henry L. Doherty's adopted daughter had a coming out party.

Notwithstanding the so-called proletarian movement in which he is engaged, we have had few more autocratic gentlemen in our midst. At the embassy he was attended by and surrounded by as much martial ceremony as any German field marshal ever received. His rare press conferences had all the glitter of a general reviewing his troops. There is no doubt about it, he had us practically grovelling at his feet and he got a kick out of it.

But he overdid it. Roosevelt came to by-passing him. We sent over Harry Hopkins and Averill Harriman to tell Joe that we were going to give him everything we could. This was the same as saying to Joe that he really didn't need Litvinoff over here. Before he returned to Moscow I can't recall when he was last at the White House. It got so you never heard of him around town at all. So once again he has been set down.

Washington is apparently a bad post for these fellows. A correspondent returning recently from Russia tells of seeing a broken down old man getting a hair cut in a shop in an outlying city. A big shot came in and demanded a quick job. The old man was bounced out of the chair. Who should it be but poor old Troyonovsky, the Soviets' first ambassador over here, the most popular one, too.

Special Offering Plans Of Two Exchanges Modified

The Securities and Exchange Commission announced on Aug. 18 that it had declared effective the plans of the San Francisco Stock Exchange and the New York Curb Exchange for "special offerings" as modified, respectively, by amendments filed with the Commission on July 28 and Aug. 7. The Commission's advices also stated:

"The principal changes in the special offering plans of the two exchanges are to permit over-allotments to be made in special offerings, for the purpose of facilitating stabilization, up to 10% of the block of securities offered; they provide for announcements on the ticker tape upon the inception and termination of stabilizing, in accordance with present practice; they codify the information which member firms and their employees are compelled to disclose to customers in the solicitation and confirmation of purchases; and they provide for several other changes, primarily technical in character."

Interdependence Of Nations Of World Affects Lives Of All, Says Black

Declaring that "we have learned from bitter experience that the interdependence of nations of the world is more than a theory," Supreme Court Justice Hugo L. Black further asserted that "it is a vital fact which affects the lives of every one of us." Justice Black's remarks were addressed to graduates of the Miami Beach (Fla.) Air Forces Officer Candidate School on Aug. 21, at which time he said that "the lessons which wars and depressions have taught us is that if we want peace, prosperity and happiness at home we must help establish them abroad." In his remarks to the class of new Second Lieutenants which included his son, Sterling Foster Black, the Justice further stated, according to Associated Press accounts from Miami Beach:

"Surely it is time for us to face this fact, and, divesting ourselves of deep-rooted fears and prejudices, act with a boldness and intelligence befitting Americans."

Justice Black told the new officers that they were "citizen soldiers steeped in the philosophy of a democratic society dedicated to liberty, equality and justice."

Defeat of the Axis, he added, "will be but an episode in our continuing struggle for a better, fuller, more secure life for the average citizen."

"Our country must face the questions of peace, and must face them inspired by the same faith that will carry us to the total defeat of the enemy on the battlefield," he said.

Pursuing the concept of "fighting faith" applied to times of peace, Justice Black continued:

"There are men who do not have it, timid men who are ruled by an unreasoning fear of change.

"They say that periodic economic depressions, unemployment, poverty, economic insecurity, special privilege and inequality are ordained by inexorable natural laws. These timid persons have counterparts who assert that since we always have had war, a peaceful world is impossible."

Urges Tax Law Revision To Encourage System of "Risk Capital" After War

In proposing a revision of Federal tax statutes to encourage return to a system of venturesome "risk capital," Representative Dewey (Republican) of Illinois, states that "if 'risk capital' is to be induced to resume its historic place in American industrial development, our tax law should be so amended as to offer an incentive for people to risk investment in new and uncertain undertakings." Mr. Dewey's proposal was offered on Aug. 22 as a means of reinvigorating and expanding private industrial enterprise after the war. He also said that loans by banks to local industries offered the most practical solution for reconversion of industry to peace-time operations, and he suggested a system of Government guarantees on such loans. The Associated Press reported these proposals as having been made in a letter to the House Naval Affairs Committee in which Mr. Dewey, who was Assistant Secretary of the Treasury in the Coolidge Administration, gave his reply to the question as to how the reconversion problem could be met without "a gigantic WPA for industry." From the press accounts from Washington Aug. 22 we also quote:

"He described as impractical the various proposals that, in the renegotiation of war contracts, allowances be made for post-war reconversion reserves. The Naval Committee now is studying effects of the renegotiation law. The Ways and Means Committee, of which Mr. Dewey is a member, will open hearings Sept. 9 to determine whether revision of the statute is needed.

"American industry had its humble beginnings through what is known as 'risk capital' being available and seeking investment," he wrote.

"Under existing taxes whatever gain is realized on a risk is promptly taxed away and the tax system gives little compensation to whatever loss may be sustained. When the war terminates and returning soldiers are seeking jobs or are desirous of setting up new enterprises themselves, our tax system should be so amended that it will favor these adventurers in trade and industry instead of handicapping the initiative."

Turning to his suggestion of government guarantees for reconversion loans, Mr. Dewey wrote:

"In a great many cases, perhaps the majority, local banks will need no encouragement of any kind to finance the reconversion of local industries. But, in order that there may be assurance that capital in the hands of the banks is made available to industry, a certain protection may have to be given the banks.

"For this purpose I believe that government machinery already in existence could be employed. It could be done simply through the device of the government executing guarantees of loans made for reconversion purposes. Such loans by the local banks might be guaranteed up to a maximum of 90% and have a maturity not in excess of 10 years.

"The plan could be so worked out that the amount of return which the local bank would receive on its loan to the local industry would be based on a graduated scale to encourage the local bank to assume a higher proportion of the risk.

"From the interest on the loan paid by industry would be deducted a 'guarantee fee,' but the amount of 'guarantee fee' the government would charge the bank would depend upon the percentage of the loan guaranteed by the government.

"Inasmuch as the graduated guarantee charge would reduce the local bank's interest return, there would be the natural tendency on the part of the bank to keep the percentage of government guarantee at a minimum."

Cotton Spinning For July

The Bureau of the Census announced on Aug. 20, that according to preliminary figures, 23,405,384 cotton spinning spindles were in place in the United States on July 31, 1943 of which 22,654,790 were operated at some time during the month, compared with 22,777,328 for June, 22,788,058 for May, 22,893,630 for April, 22,925,194 for March, 22,859,160 for Feb., and 23,109,576 for July 1942. The aggregate number of active spindle hours reported for the month was 9,885,059,104. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during July, 1943 at 120.0% capacity. This percentage compares, on the same basis, with 129.7 for June, 134.1 for May, 133.2 for April, 134.4 for March, 135.9 for Feb., and 130.2 for July, 1942. The average number of active spindle hours per spindle in place for the month was 422.

The News Behind The News

(Continued from first page)

the Ball-Burton-Hatch-Hill resolution going much further and demanding an international agreement now with a police force later, but it will not have sufficient strength behind it to become an adopted policy.

Thus while we are involved in a strong and somewhat confusing discussion as to what we want for postwar, the final outcome of the debate is beginning to be discernible.

Everyone seems to have a definite opinion, and practically everyone has expressed himself except the three men whose judgment will be final—Roosevelt, Churchill and Stalin. Not by one word has Mr. Roosevelt indicated what he has in mind.

After Senator Hatch called at the White House a few weeks back, he reported in the cloakrooms that the President had no objection to the Senate passing his resolution, but this is the only indirect suggestion available indicating the President may wish to go further than the Republicans or the House presumably intend to go.

In the end, of course, the character of the "police force" will be the determining factor. On one hand, the phrase is now used to mean a world army, and, on the other hand, to signify a system in which the great victorious world powers would police their own hemispheres with their own armed strength.

No trouble will be encountered in getting strong popular opinion behind the latter interpretation, but it is already evident no national agreement can be achieved in this country behind the first interpretation.

The legislators who are dropping into town every few days also seem determined to adopt legislation preventing the draft of fathers. Even members of the Military Affairs Committees, who work exceptionally close to the War Department, are displaying a tendency to break with the Army authorities on this matter.

They say they will surely pass the Wheeler bill, postponing father drafts until Jan. 1, 1944. The prospect, however, is by no means assured.

The Administration very likely will turn on pressure to let the military leaders have their way. Mr. Byrnes followed this line in his speech.

July Cotton Consumption

Under date of Aug. 16, 1943, the Census Bureau at Washington issued its report showing cotton consumed in the United States, cotton on hand and active cotton spindles for the month of July.

In the month of July, 1943, cotton consumed amounted to 839,705 bales of lint and 107,334 bales of linters, as compared with 916,789 bales of lint and 96,956 bales of linters in June, 1943, and 994,552 bales of lint and 121,955 bales of linters in July, 1942.

For the twelve months ending with July 31, cotton consumption was 11,098,513 bales of lint and 1,301,208 bales of linters against 11,170,106 bales of lint and 1,487,506 bales of linters in the same twelve months a year ago.

There were 2,117,343 bales of lint and 465,369 bales of linters on hand in consuming establishments on July 31, 1943, which compares with 2,222,391 bales of lint and 472,787 bales of linters on June 30, 1943 and with 2,251,549 bales of lint and 438,922 bales of linters on July 31, 1932.

On hand in public storage and at compressors on July 3, 1943, there were 7,704,181 bales of lint and 57,197 bales of linters, and 8,549,749 bales of lint and 67,317 bales of linters on June 30, 1943, and 7,648,742 bales of lint and 94,820 bales of linters on July 31, 1943.

There were 22,654,790 cotton spindles active during July, 1943 which compares with 22,777,328 active cotton spindles during June, 1943, and with 23,109,576 active cotton spindles during July, 1942.

Post-War Unemployment Problem Demands Action Now; A. F. of L. Proposes Program

In the expectation that something like 12,000,000 persons might be unemployed six months after the war ended, the Post-War Division of the Bureau of Labor Statistics at Washington warned on Aug. 19 that a program to handle the problem must be undertaken now lest the country be led to the brink of "another and even more terrible war." United Press accounts from Washington reporting this said:

"Even under favorable conditions, it said, there might be 7,000,000 jobless immediately after the war.

"In a report prepared for the American Federation of Labor, the division gave a six-point program which it said management, labor and government must follow to minimize the effects of post-war idleness:

"1. Rapid reconversion of industry from war to peacetime production.

"2. A public works program to supply jobs during industrial reconversion.

"3. Financial assistance, during the period of transition, to returning servicemen and demobilized war workers.

"4. A gradual demobilization of the armed forces to level out the impact of unemployment.

"5. Voluntary withdrawal from labor markets of as many women, school-age youths and over-age employes as possible.

"6. A Federal job placement service to direct workers to available jobs and help rehabilitate war wounded.

"The post-war employment problem, certain to be critical, might be devastating if these principles were not followed, the report said.

"It suggested exploration of inter-related problems such as disposal of Government-owned war plants and surplus war stocks in such a manner as to help private enterprise, war-time business taxes and aid to small business; continued or gradual tapering off of war contracts; continuation of anti-inflation measures—such as continued (wartime) taxation, Government bond sales and price controls — so that accumulated consumer purchasing power would not burst loose when markets were not sufficiently supplied with peacetime goods; high-output and low-price business policies to encourage production and employment, and a reduction in the work week."

Life Insurance Divs. Down In First Half

Dividends paid by American life insurance companies to their policyholders in the first six months of the year are reported by the Institute of Life Insurance at $206,570,000, a decrease of $22,081,000 from the aggregate of $228,651,000 disbursed in the corresponding period a year ago. This decrease is in line with the trend of the last several years, being a direct reflection of the continuous decline in the general level of interest rates.

"The effect of lower interest rates on policy dividends is cumulative," the Institute pointed out, on Aug. 19. "The result of the investment of money over the past years at continually lower rates is being felt more and more. Not only is this true of new money but as the older, higher yield investments mature, the reinvestment of funds produces a lower rate of return," said the Institute which added:

"While the decline of interest rates is primarily responsible for the decrease in policyholder dividends, other factors that are operating at this time in the direction of lower dividends and higher costs to policyholders are increased Federal income taxes and moderately increased provision for current and future death claims, made under war conditions.

"In this connection it should be noted that dividends paid to policyholders are not dividends in the usual sense; rather they are a return to policyholders of that portion of the premium remaining after a reasonable allowance for future contingencies and after meeting costs. The premium rate is based on three principal cost factors: claim payments, operating expenses and interest earnings with some margin added for safety; while the dividend scale is determined on the basis of an appraisal of actual experience, some regard must be had for possible future conditions."

The Institute reports that in the full year 1942, the amount paid in dividends to policyholders was $434,700,000 as compared with $432,200,000 in 1941. The increase of $2,500,000, the Institute points out, was due to an increase in the amount of insurance in force, and did not, therefore, constitute a real interruption in the downward trend.

More New Locomotives On Order As Of Aug. 1, 1943

Class I railroads on Aug. 1, 1943, as reported to the Car Service Division, had 27,795 new freight cars on order, the Association of American Railroads announced on Aug. 23. Of this total, there were 4,094 plain box; 2,525 automobile box; 5,754 gondolas; 14,184 hoppers; 200 stock, and 1,038 flat cars. On Aug. 1 last year the roads had a total of 36,453 cars on order.

Locomotives on order on Aug. 1, this year, totaled 1,014, which included 485 steam, four electric, and 525 Diesel locomotives. On Aug. 1, 1942, they had 881 locomotives on order which included 334 steam and 547 electric and Diesel.

Class I railroads put 12,030 new freight cars in service in the first seven months of 1943, compared with 51,606 in the same period last year. Those installed in the seven months of 1943 included 4,682 hopper, 4,905 gondola, 1,673 flat, 135 automobile box, 585 plain box, three stock, and 47 miscellaneous freight cars.

The railroads also put 343 new locomotives in service in the first seven months this year, of which 230 were steam, 14 electric, and 99 Diesel. New locomotives installed in the same period last year totaled 432, of which 175 were steam and 257 were electric and Diesel.

The ODT also report 48 new locomotives on order on Aug. 1 and 16 new locomotives installed in the first seven months of this year by other than Class I carriers. This brings the total of new locomotives on order on Aug. 1 to 1,062 and the number installed during the first seven months to 359.

Selected Income And Balance Sheet Items Class I Railways For May

The Bureau of Statistics of the Interstate Commerce Commission has issued a statement showing the aggregate totals of selected income and balance sheet items for class I steam railways in the United States for the month of May, 1943 and 1942, and the 5 months ending with May, 1943 and 1942.

These figures are subject to revision and were compiled from 132 reports representing 136 steam railways. The present statement excludes returns for class A switching and terminal companies. The report is as follows:

	All Class I Railways			
	For the Month of May		For the 5 Months of	
Income Items—	1943	1942	1943	1942
Net ry. operat. income	$128,169,023	$103,667,562	$596,288,151	$432,945,838
Other income	12,754,060	11,556,253	60,810,278	58,469,736
Total income	140,923,083	121,223,815	657,098,429	491,415,574
Miscellaneous deductions from income	2,362,130	3,154,792	11,839,734	13,052,363
Income available for fixed charges	138,560,953	118,069,023	645,258,695	478,363,211
Fixed charges:				
Rent for leased roads and equipment	14,176,150	14,778,718	73,131,897	69,384,501
*Interest deductions	36,1[illegible]4,227	37,033,310	181,804,473	185,176,605
Other deductions	125,623	117,601	625,247	587,528
Total fixed charges	50,496,000	51,929,629	255,561,617	255,148,634
Inc. after fixed charges	88,064,953	66,139,394	389,697,078	223,214,577
Contingent charges	2,332,997	2,427,750	11,614,148	11,455,477
†Net income	85,731,956	63,711,644	378,082,930	211,759,100
Depreciation (way and structures and equip.)	26,469,518	20,213,608	132,628,536	97,243,262
Amortization of defense projects	11,004,946	6,754,326	51,670,564	26,417,772
Federal income taxes	118,558,711	64,483,415	544,787,461	205,639,941
Dividend appropriations:				
On common stock	32,598,851	30,007,342	55,853,135	49,530,145
On preferred stock	7,067,733	6,674,321	13,446,686	12,607,599
¶Ratio of income to fixed charges	2.74	2.27	2.52	1.87

	All Class I Railways		Class I Railways Not in Receivership or Trusteeship	
	Balance at end of May		Balance at end of May	
Selected Asset Items—	1943	1942	1943	1942
Investments in stocks, bonds, etc., other than those of affiliated companies	$549,723,405	$474,049,083	$523,071,164	$456,140,673
Cash	1,007,962,913	817,914,286	770,614,300	614,741,559
Temporary cash investments	1,316,677,116	177,204,507	1,015,613,742	147,123,555
Special deposits	191,177,937	138,964,351	150,298,023	96,341,274
Loans and bills receivable	287,744	1,027,931	266,619	914,573
Traffic and car-service balances (Dr.)	43,149,814	39,804,777	33,584,522	33,504,298
Net balance receivable from agents and conductors	164,514,115	109,235,564	132,522,975	91,072,478
Miscellaneous accounts receivable	573,032,822	288,703,325	449,833,209	229,646,872
Materials and supplies	519,237,711	533,690,173	416,562,175	430,060,251
Interest and dividends receivable	23,427,433	23,364,126	21,601,432	21,404,273
Rents receivable	1,277,115	1,400,882	930,832	1,061,770
Other current assets	45,858,054	27,838,070	34,323,875	25,997,096
Total current assets	3,886,652,774	2,159,147,992	3,026,151,704	1,691,867,999
Selected Liability Items—				
‡Funded debt maturing within six months	$185,458,392	$73,959,834	$173,581,459	$62,176,153
§Loans and bills payable	15,623,192	16,639,256	1,600,000	2,270,686
Traffic and car-service balances (Cr.)	144,775,812	81,079,801	100,036,373	58,350,806
Audited accounts and wages payable	417,549,340	349,141,098	335,526,733	283,880,921
Miscellaneous accounts payable	106,348,995	58,130,026	82,247,240	39,931,405
Interest matured unpaid	45,478,545	46,640,249	36,877,710	37,906,756
Dividends matured unpaid	6,831,920	4,907,214	6,489,756	4,554,952
Unmatured interest accrued	73,745,583	83,575,913	68,782,297	70,437,025
Unmatured dividends declared	45,859,457	38,191,385	45,859,457	38,191,385
Unmatured rents accrued	30,640,762	29,852,973	27,557,510	27,661,303
Accrued tax liability	1,351,672,837	502,720,457	1,195,154,857	459,407,640
Other current liabilities	65,565,513	61,478,361	42,962,478	46,550,650
Total current liabilities	2,304,096,956	1,272,396,733	1,943,094,411	1,069,143,529
Analysis of accrued tax liability:				
U. S. Government taxes	1,218,973,113	384,337,633	1,089,322,196	367,762,424
Other than U. S. Government taxes	132,699,724	118,382,824	105,832,661	91,645,216

*Represents accruals, including the amount in default. †For railways not in receivership or trusteeship the net income was as follows: May, 1943, $65,822,134; May, 1942, $52,536,484; for the five months ended May, 1943, $235,931,787; five months ended May, 1942, $177,784,085. ‡Includes payments of principal of long-term debt (other than long-term debt in default) which will become due within six months after close of month of report. ¶For railways in receivership and trusteeship the ratio was as follows: May, 1943, 2.57; May, 1942, 1.93; five months, 1943, 2.46; five months, 1942, 1.59. §Includes obligations which mature not more than two years after date of issue.

Cotton Ginned from Crop of 1943 Prior to Aug. 16

The census report issued on Aug. 23, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1943 prior to Aug. 16, 1943, and comparative statistics to the corresponding date in 1942 and 1941.

RUNNING BALES
(Counting round as half bales and excluding linters)

State—	1943	1942	1941
United States	*345,949	*233,335	*74,079
Alabama	10,857	5,579	15,600
Arizona	754	29	1,481
Florida	400	1,071	2,099
Georgia	27,994	28,591	35,064
Louisiana	13,331	1,845	106
Mississippi	7,411	99	166
Texas	283,675	194,823	19,110
All other States	1,527	1,293	453

*Includes 107,053 bales of the crop of 1943 ginned prior to Aug. 1 which was counted in the supply for the season of 1942-43, compared with 48,625 and 1,969 bales of the crops of 1942 and 1941.

The statistics for 1943 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail.

Consumption and Stocks—United States

Cotton consumed during the month of July, 1943, amounted to 899,705 bales. Cotton on hand in consuming establishments on July 31, was 2,117,343 bales, and in public storages and at compresses 7,704,181 bales. The number of active consuming cotton spindles for the month was 22,654,790.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of war conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

Steel Operations At New High—More CMP Orders Impend To Crowd Mill Books

"Steel products such as plates, sheets and bars were tighter than ever this week," according to The "Iron Age" in its issue of today (Aug. 26). "This situation seems to indicate that if the WPB is to carry through its promises for more steel to essential civilian users something more than talk will be needed," says this publication, which further adds in part as follows:

"Because of the change in capacity figures the Pittsburgh ingot rate this week is off one and a half points to 100.5%. Chicago operations have gained a half a point to 99.5%. The Cincinnati area reflects an increase of seven points to 100.5% of capacity.

"As it has been for the past several weeks the manpower situation is one of the most threatening of all current factors and it is expected to grow worse.

"Reports from Chicago say the hot roll sheet situation continues to grow tighter with some mills booked solidly through February. With demand for plates continually increasing sheets have now become as scarce as plates. Orders at Chicago last week were generally higher and in some cases cancellations also gained but not enough to cause much concern.

"Some plants closing down on tank manufacture will continue to produce tank destroyers now being made along with the tanks themselves. Some factories finished up their tank programs several months ago. Among these were locomotive companies who are now able to get back to the increasingly important production of locomotives.

"On the subject of Ordnance there are some signs that military truck output may shortly be increased. This appears to be a direct reflection of the course of the war. Supply lines will be undergoing constant lengthening. Railroads can not be depended upon to handle the freight of active war fronts. This is particularly true of the sparse trackage north from southern Europe, and more generally any rail facilities which lie in enemy bomber range."

The American Iron and Steel Institute on Aug. 23 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 90% of the steel capacity of the industry will be 99.4% of capacity (a new high record) for the week beginning Aug. 23, using as a basis the revised capacity ratings as of July 1, 1943. That compares with the revised figures of 98.2% one week ago, and 97.4% one month ago. One year ago the operating rate was 97.3% of capacity. The operating rate for the week beginning Aug. 23 is equivalent to 1,732,500 tons of steel ingots and castings, compared to 1,710,900 tons one week ago, 1,697,000 tons one month ago, and 1,664,500 tons one year ago. The previous peak week was that beginning April 26 when the operating rate was equivalent to 1,731,700 tons.

On the basis of the new capacity rating, the Institute adds, the revised operating rates for previous weeks in 1943 are as follows: July 5, 96.0%; July 12, 96.4; July 19, 97.7; July 26, 97.4; Aug. 2, 97.7; Aug. 9, 97.8; and Aug. 16, 98.2.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Aug. 23 stated in part as follows:

"Additional allotments of steel under Controlled Materials Plan are expected to be certified shortly, causing an upturn in bookings, including additional tonnage for first and second quarters, following the recent lull in buying.

"Consumers of numerous products have ordered to the extent of their allotments and limitations through fourth quarter and into next year and while mills generally are booked through the year and into first quarter some open capacity develops occasionally through deferments based on excess inventories. This is filled immediately by pressing needs from other sources.

"Bars of all specifications, plates, hot and cold-rolled sheets, strip and some wire products are sold into January and beyond, except for occasional open spots caused by revision in schedules. Shapes, pipe and reinforcing bars are easier.

"Output of pig iron and ferroalloys in July totaled 5,022,745 net tons, compared with 4,836,283 tons in June and 5,051,149 tons in July, 1942. For seven months this year the aggregate production was 35,366,188 tons, slightly above 34,482,021 tons in the comparable period last year. The rate of operation in July was 93.5% of capacity, compared with 92.8% in June, reflecting continued recovery from the effects of the coal strike.

"Consumption of Lake Superior iron ore in July was heavier than in June, 7,155,703 gross tons, compared with 6,939,998 tons for the prior month. Compared with 7,175,845 tons smelted in July, 1942, a slight decline is shown. For seven months cumulative consumption was 51,248,423 tons, compared with 49,116,562 tons in the corresponding period last year. Stocks at furnaces and Lake Erie docks Aug. 1 totaled 32,388,932 tons, compared with 37,326,533 tons at the same date last year.

"Final accounting of the share-the-steel campaign shows that contracts for 935,000 tons were cancelled, 712,000 tons being carbon steel and 214,000 tons alloys.

"Steel mills in important centers are depending more on pig iron than scrap at present and demand for the latter has eased in numerous instances."

Warns Economists To Consult History When Planning Post-War Rehabilitation

Charging that a lack of training in history characterizes "many so-called experts," Dean John T. Madden of the New York University School of Commerce, Accounts, and Finance, warned on Aug. 17 in his annual report to Chancellor Harry Woodburn Chase that post-war economic rehabilitation of the world must be approached with an understanding of past events in addition to a realistic view of existing conditions.

"If one pauses to survey the economic developments of the past forty years," Dean Madden wrote, "he cannot avoid noting the economic fallacies that have misled our people and those of other nations into one business disaster after another." He went on to say:

"One great weakness of many so-called economic experts is their wholly inadequate training in history. The 'professors' who are so justly and so universally condemned in these days have either not been sufficiently exposed to historical discipline or, if they were, the lessons of history have gone unheeded insofar as they were concerned. Numerous finely-spun theories dressed in modern garb are only discredited projects of some past period, so well delineated by historians that it is astonishing to find them neglected in modern economic planning.

"The danger we face in the post-economic development is that we shall not take a realistic view of the conditions which shall exist at the conclusion of this war. We run the risk of committing similar or even worse follies than those we were guilty of after the last war."

Dean Madden pointed out that the economic rehabilitation of the post-war world "will not be the result of some new alchemy developed in the retorts and crucibles of the neo-economics." "Too often," he added, "our business men have lacked business sense. Our politicians have been woefully ignorant of simple and fundamental economic principles. Labor has been weak in its leadership. Management has too often been guilty of gross stupidity. Our educational institutions have harbored many professors of the long-haired and large-ear variety, who seem to obtain a hearing over the larger number who hold fast and true to sound philosophies of economic life and government." He further said:

"Schools of business have a job to do. Their influence must be felt not only by the students but they must go out into the highways and byways and preach a few simple truths. A poet once put into the mouth of his character these words, 'A knowing kind of cattle ain't fooled by mouldy corn.' A knowing and intelligent citizenry will not be fooled with mouldy economic theories."

Coal Mines Being Returned To Private Ownership

Certain coal mines having contracts with the United Mine Workers of America were restored to private ownership by Harold L. Ickes, Secretary of the Interior, on Aug. 23, despite John L. Lewis' statement in June that his men would work until Oct. 31 only if the Government kept control of the property, according to Associated Press advices from Washington which further state:

"Mr. Ickes, as coal administrator, announced termination of Government possession and control of the mines of 53 companies and a spokesman said 'some' of them were operated under contracts with the UMW. Asked about Mr. Lewis' threat, he said 'we'll just have to see what happens.'

"The mines were returned in accordance with the Smith-Connally Anti-Strike Act requirement that property seized by the Government be returned within 60 days after restoration of 'productive efficiency.'

"Although citing this provision of the act, Mr. Ickes did not reveal his interpretation of the provision or say whether Attorney General Biddle has given him the ruling he had asked on what the act requires him to do about restoring the mines.

"Approximately 3,700 mines continue under Government control. Mr. Ickes has been 'surveying the productive efficiency' of these mines 'preliminary to determining the applicability of the provisions of the Smith-Connally Act pertaining to the release of the property.'"

July Department Store Sales In New York Federal Reserve District 8% Above Year Ago

The Federal Reserve Bank of New York announced on Aug. 18 that July sales of department stores in the Setcond (New York) Federal Reserve District increased 8% above a year ago. The combined sales for January through July are 7% higher than in the same period last year. Stocks of merchandise on hand in department stores at the end of July were 32% below July 31, 1942.

The apparel stores in the New York Reserve District reported a gain of 22% in net sales in July. Their stocks on hand at the close of the month were 11% below last year.

The following is the bank's tabulation:

DEPARTMENT STORE TRADE BY MAJOR LOCALITIES: JULY, 1943

Second Federal Reserve District

	Percentage changes from a year earlier		
	Net Sales		Stock on hand.
Department Stores—	July	Jan. thru July	July 31, 1943
*New York City	+ 9	+ 8	—35
*Northern New Jersey	— 4	— 1	—41
*Newark	— 7	----	—43
Westchester and Fairfield Counties	+ 2	— 1	—28
Bridgeport	— 5	— 4	—31
Lower Hudson River Valley	+16	+ 4	— 6
Poughkeepsie	+14	+ 5	----
Upper Hudson River Valley	+ 9	— 1	— 7
Albany	+12	— 6	----
Schenectady	+ 5	+ 7	— 1
Central New York State	+20	+12	—20
Mohawk River Valley	+26	+15	—23
Utica	+25	+15	----
Syracuse	+17	+10	—19
*Northern New York State	+16	+ 4	----
Southern New York State	+31	+13	— 4
Binghamton	+47	+17	----
Elmira	— 4	— 3	----
*Western New York State	+ 8	+12	—22
*Buffalo	+ 9	+12	—17
*Niagara Falls	+28	+35	— 1
Rochester	+ 4	+ 8	—32
*All department stores	+ 8	+ 7	—32
*Apparel stores	+22	+21	—11

*Subject to possible revision.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Second Federal Reserve District

[1923-25 average = 100]

	1942	1943		
	July	May	June	July
Sales (average daily), unadjusted	81	108	110	90
Sales (average daily), seasonally adjusted	114	115	115	127
Stocks, unadjusted	*160	104	104	94
Stocks, seasonally adjusted	*171	102	109	105

*Revised.

Bankers' Dollar Acceptances Outstanding On July 31 Decline To $138,692,000

The volume of bankers' dollar acceptances outstanding on July 31 amounted to $138,692,000, a decrease of $1,154,000 from the June 30th total, according to the monthly acceptance survey issued by the Federal Reserve Bank of New York. As compared with a year ago, the July 31 total represents a decline of $17,610,000.

In the month-to-month comparison, credits for exports, domestic warehouse credits and those for dollar exchange were higher, while in the year-to-year analysis only export credits were higher.

The Reserve Bank's report follows:

BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	July 31, '43	June 30, '43	July 31, '42
1 Boston	$28,442,000	$28,464,000	$30,516,000
2 New York	79,809,000	82,635,000	94,804,000
3 Philadelphia	7,203,000	7,198,000	8,906,000
4 Cleveland	1,443,000	944,000	2,714,000
5 Richmond	1,719,000	1,499,000	1,218,000
6 Atlanta	2,019,000	1,988,000	1,886,000
7 Chicago	5,273,000	4,288,000	4,011,000
8 St. Louis	687,000	587,000	376,000
9 Minneapolis	273,000	179,000	94,000
10 Kansas City	----	----	----
11 Dallas	549,000	565,000	607,000
12 San Francisco	11,275,000	11,499,000	11,170,000
Grand Total	$138,692,000	$139,846,000	$156,302,000

Decrease for month......$1,154,000 Decraese for year......$17,610,000

ACCORDING TO NATURE OF CREDIT

	July 31, '43	June 30, '43	July 31, '42
Imports	$81,471,000	$81,717,000	$91,515,000
Exports	11,809,000	9,884,000	8,438,000
Domestic shipments	9,785,000	12,258,000	14,110,000
Domestic warehouse credits	25,507,000	23,967,000	31,045,000
Dollar exchange	195,000	194,000	396,000
Based on goods stored in or shipped between foreign countries	9,925,000	11,826,000	10,798,000

BILLS HELD BY ACCEPTING BANKS

Own Bills.....$63,999,000 Bills of Others....$38,357,000 Total....$102,356,000
Increase for month........$75,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES, AUG. 16, 1943

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since Aug. 31, 1940:

1940—	$	1941—	$	1942—	$
Aug. 31	181,813,000	Aug. 30	197,472,000	Aug. 31	139,304,000
Sept. 30	176,614,000	Sept. 30	176,801,000	Sept. 30	123,494,000
Oct. 31	186,786,000	Oct. 31	184,806,000	Oct. 31	118,581,000
Nov. 30	196,683,000	Nov. 29	193,590,000	Nov. 30	116,067,000
Dec. 31	208,659,000	Dec. 31	194,220,000	Dec. 31	118,039,000
1941—		1942—		1943—	
Jan. 31	212,777,000	Jan. 31	197,278,000	Jan. 30	119,682,000
Feb. 28	211,865,000	Feb. 28	190,010,000	Feb. 27	127,062,000
Mar. 31	217,312,000	Mar. 31	182,675,000	Mar. 31	129,818,000
Apr. 30	219,561,000	Apr. 30	177,293,000	Apr. 30	128,350,000
May 31	215,005,000	May 29	173,906,000	May 29	135,815,000
June 30	212,932,000	June 30	162,849,000	June 30	139,846,000
July 31	209,899,000	July 31	156,302,000	July 31	138,692,000

Statutory Debt Limitation As Of July 31, 1943

The Treasury Department made public on August 6 its monthly report showing the face amount of public debt obligations issued under the Second Liberty Bond Act (as amended) outstanding on July 31, 1943, totaled $145,469,995,403, thus leaving the face amount of obligations which may be issued, subject to the new $210,000,000,000 statutory debt limitation at $64,530,004,597. In another table in the report, the Treasury indicates that from the total face amount of outstanding public debt obligations ($145,469,995,403) should be deducted $5,115,351,079 (the unearned discount on savings bonds), reducing the total to $140,354,644,324, but to this figure should be added $1,169,810,786 (the other public debt obligations outstanding but not subject to the statutory limitation). Thus, the total gross debt outstanding as of July 31, 1943 was $141,524,455,110.

The following is the Treasury's report for July 31:

Section 21 of the Second Liberty Bond Act, as amended, provided that the face amount of obligations issued under authority of the Act, "shall not exceed in aggregate $210,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$210,000,000,000
Outstanding as of July 31, 1943:			
Interest-bearing:			
Bonds—			
Treasury	$57,520,492,900		
*Savings (Maturity value)	27,145,598,975		
Depository	239,745,250		
Adjusted Service	721,422,956		
		$85,627,260,081	
Treasury notes	$26,195,908,050		
Certificates of indebtedness	20,874,595,000		
Treasury bills (Maturity val.)	12,459,813,000		
		59,530,316,050	
		$145,157,576,131	
Matured obligations, on which interest has ceased		105,144,250	
Bearing no interest (U. S. Savings stamps)		207,275,022	
			145,469,995,403
Face amount of obligations issuable under above authority			$64,530,004,597

RECONCILEMENT WITH DAILY STATEMENT OF THE UNITED STATES TREASURY JULY 31, 1943

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act		$145,469,995,403
Deduct unearned discount on Savings Bonds (differenee between current redemption value and maturity value)		5,115,351,079
		$140,354,644,324
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (pre-war, etc.)	$195,942,720	
Matured obligations on which interest has ceased	8,081,390	
Bearing no interest	965,786,676	
		1,169,810,786
Total gross debt outstanding as of July 31, 1943		$141,524,455,110

*Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement $22,030,247,896.

Non-Ferrous Metals—Aluminum and Magnesium Output Reported Adequate—Prices Unchanged

Editor's Note.—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 19 stated: "With production statistics for copper, lead, and zinc still 'strictly confidential,' the public last week was given a full view of the position of the light metals. Secretary of Commerce Jesse Jones announced that the production of aluminum and magnesium in Government-owned plants is now at a rate that insures an adequate supply of these metals. Aluminum produced in Government-owned plants for July was 73,292,000 lb.; production of Alcoa and Reynolds 77,600,000 lb.; total 150,892,000 lb. Government-owned plants produced 31,410,000 lb. of magnesium in July; Dow Chemical 3,500,000 lb. The price situation in non-ferrous metals last week was unchanged." The publication further went on to say in part:

Copper

The trade was busy on allocations of copper for September shipment. Notices came through in volume on Aug. 16 and 17. WPB again held back on allocations for brass, which was interpreted as indicating that large tonnages of mill scrap are available to round out requirements for next month.

The base price of monohydrated copper sulphate produced in Western territory, effective Aug. 18, is to be quoted f.o.b. works, instead of on a delivered basis. This pricing change is contained in Amendment 4 to MPR 354.

Lead

Though most consumers were fully informed in reference to the new date for considering allocations, there were some buyers who slipped up on the change in the deadline. Several consumers came into the market for lead during the current week after allocations were fixed, indicating that they did not know about settling for next month's requirements before the 12th of the month. At the allocations meeting held on Aug. 16, requests for foreign lead for September shipment exceeded 20,000 tons.

Sales of common lead for the last week by domestic producers amounted to about one-sixth of that for the week previous. The reduced volume of buying was expected.

Zinc

Supplies of High Grade are said to be ample, owing in part to the strong measures in force limiting civilian consumption. Stocks have been increasing. The industry believes that conversion of Prime Western into High Grade will soon be reduced in volume to bring more ordinary zinc into the picture.

Magnesium

Stockholders of Revere Copper & Brass were informed that the company will shortly widen its field of operations by opening the largest magnesium sheet and strip mill in the United States. A special laboratory has been equipped to conduct research in the application and utilization of magnesium and magnesium alloys in the post-war world. Exploration of the light metal market will be conducted in the aviation, automotive, electrical, chemical, refrigeration, shipbuilding, and building industries. By January 1944, Revere plans to attain a capacity of 500,000 lb. of magnesium sheet and strip a month, the equivalent of rolling and handling 3,000,000 lb. of copper and brass a month.

Tin

Under the conservation program that has been in effect for some time past, the supply situation in tin is viewed as satisfactory, even though production at the smelter in Texas has not increased appreciably this year as many in the industry expected.

Quicksilver

Manpower shortages at the mines has reduced production, though not to the extent of influencing the market for quicksilver. Over-all output remains substantial and the price situation, if anything, might even be described as softer. Offerings in some directions have been freer. Owing to developments in Europe, consumers are wondering whether Spanish production will come into the Allies' supply picture on an increasing scale. Quotations in New York continued last week at $196@$198 per flask.

Silver

Mexican silver shipments to the United States will be resumed April 29, 1944, Eduardo Suarez, Minister of Finance, announced during the last week. Remelting of coins for industrial purposes and hoarding had placed a heavy call on the Mexican mint, forcing a suspension of shipments.

Finance Minister Suarez added that on the basis of the first six months of the current year, Mexico's 1943 production of silver would be only 72,000,000 oz. However, he predicted that the normal rate of production of 80,000,000 oz. a year would be reached by the end of 1943. The American Smelting & Refining Co. is increasing its production, he said.

WPB last week asked manufacturers holding stocks of silver "frozen" under conservation regulations to report such material on a special inventory record. The idle metal is to be diverted into essential uses.

Makers of solder and babbit using 71.11c. Treasury silver have been granted permission by OPA to lift their prices to meet higher costs.

During the last week the London market for silver continued at 23½d. an ounce. The New York Official for foreign silver and the Treasury prices were unchanged at 44¾c. and 35c., respectively.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Living Costs Down In 58 Industrial Cities

The cost of living for wage earners and lower-salaried clerical workers in July declined in 58 of 65 industrial cities surveyed by the National Industrial Conference Board. Living costs were higher in 6 of the cities, and remained unchanged in one of them. Reporting this, the Board on Aug. 24 added:

"The largest decline, 2.3%, occurred in Manchester, N. H., but there was a decline of 1.0% or more in 32 other cities. The largest increase, 0.8%, occurred in New Orleans. For the United States as a whole, the cost of living declined 1.2%.

"Living costs were higher this July than in July, 1942, in all cities for which comparable figures are available. Newark recorded the largest increase during the 12-month period with an advance of 8.4%. The smallest was shown in Bridgeport, where it rose only 2.3%. The cost of living for the United States as a whole stands 5.4% higher than a year ago, and 19.9% above Jan., 1941.

New York State Quota In War Loan Drive

In the Third War Loan Drive starting Sept. 9, New York State is asked to buy bonds amounting to $4,709,000,000. Its quota represents over 30% of the $15,000,000,000 which the nation is called upon to raise in the coming campaign. New York City alone will be asked to subscribe $4,161,000,000, which is almost exactly the amount raised in the entire country by the Third Liberty Loan Drive in the first World War.

Of the city's quota, Manhattan is scheduled to raise $3,705,000,000. The goals for the other boroughs are as follows: Kings, $324,000,000; Queens, $92,000,000; Bronx, $38,000,000, and Richmond, $9,000,000. The War Finance Committee for New York State indicated on Aug. 23 that to reach its goal of $4,709,000,000, New York State will have to exceed the sales of the April drive by $331,000,000. The Committee further said:

"Greatly increased purchases will have to be made by individual and corporate buyers. In the First and Second War Loan drives last December and April, there were surplus funds in the hands of trustees, savings banks and insurance companies, which greatly swelled their subscriptions. This added buying power was pretty well absorbed in the first two drives."

The principal aim of the Third War Loan campaign is to reach a greatly increased number of individuals. "This is going to be a drive for and by the small bondholder," stated W. Randolph Burgess, Chairman of the War Finance Committee for New York State. The goal is to obtain subscriptions from more than twice the three and one-quarter million people who bought bonds in this State during the April drive. Individuals are expected to subscribe to almost $1,000,000,000 of bonds. "This is a challenge to each of us," Mr. Burgess said. "Our objective should be to obtain 10 bondholders for every man and woman from this State who is serving in the armed forces, and thus 'Back the Attack.'" When the September drive gets under way there will be a volunteer army of 500,000 soliciting subscriptions. The aim is to obtain a wider distribution of buyers throughout the State, rather than to concentrate sales in the nation's financial center.

The quotas for the districts follow:

District No. 1, Dexter P. Rumsey, Chairman, Buffalo ($122,829,232): Allegany, Cattaraugus, Chautaugua, Erie, Genesee, Niagara, Orleans and Wyoming.

District No. 2, Raymond N. Ball, Chairman, Rochester ($63,615,331): Livingston, Monroe, Ontario, Seneca, Wayne and Yates.

District No. 3, Thomas A. Wilson, Chairman, Binghamton ($37,309,453): Broome, Chemung, Chenango, Cortland, Delaware, Schuyler, Steuben, Tioga and Tompkins.

District No. 4, Albert B. Merrill, Chairman, Syracuse ($75,026,184): Cayuga, Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego and St. Lawrence.

District No. 5, Herbert J. Kneip, Chairman, Albany ($131,670,000): Albany, Clinton, Columbia, Essex, Franklin, Fulton, Greene, Hamilton, Montgomery, Otsego, Rensselaer, Saratoga, Schenectady, Schoharie, Warren and Washington.

District No. 6, Richard F. Meyer, Chairman, Poughkeepsie ($37,679,500): Dutchess, Orange, Putnam, Rockland, Sullivan and Ulster.

District No. 7, Andrew Wilson, Jr., Chairman, White Plains ($45,000,000): Westchester.

District No. 8, Nevil Ford, Chairman, New York City ($3,752,860,400): Bronx, New York, Richmond.

District No. 9, Clifford E. Paige, Chairman, Brooklyn ($324,009,900): Kings.

District No. 10, Charles D. Hilles, Chairman, Long Island City ($119,000,000): Nassau, Queens and Suffolk.

Mr. Burgess has directed the War Finance Committee for New York State since June 7, last, when he was appointed by Secretary of the Treasury Morgenthau. He is Vice-Chairman of the board of the National City Bank and a former Vice-President of the Federal Reserve Bank of New York.

Bayard Pope, Chairman of the Marine Midland Corp., is Vice-Chairman of the Committee, and its Executive Manager is Nevil Ford, Vice-President and Director of the First Boston Corp.

The up-State organization is headed by Edward H. Letchworth of Buffalo and Mrs. Edward H. Cumpston of Rochester and Miss Dorothy Wakerley of Albany as Vice-Chairmen. The down-State activities are presided over by Lewis E. Pierson of New York, as Chairman, with Mrs. Courtland D. Barnes of New York as Vice-Chairman.

Gross And Net Earnings Of United States Railroads For The Month Of May

Gross earnings of the United States railroads for the month of May established a new high record in the history of the railroads, exceeding the previous peak reached in March. Net earnings, however, did not come up to the March figure, or the $329,157,847 attained in October, 1942.

Gross earnings of the railroads of the United States in May, 1943, were $759,330,030 against $601,063,784 in May, 1942, a gain of $158,266,246, or 26.33%. As operating expenses were kept at a comparatively low basis, net earnings amounted to $304,968,698 in May this year, as against $225,577,824 in May of last year, an increase of $79,390,874, or 35.19%.

The ratio of expenses to earnings in May, 1943 was 59.84% which compares with 62.47% in the same month of 1942. We now give in tabular form the results for the month of May, 1943, as compared with the month of May, 1942:

Month of May—	1943	1942	Incr. (+) or Decr. (—) Amount	%
Mileage of 132 roads	231,368	229,357	+ 2,011	+ 0.88
Gross earnings	$759,330,030	$601,063,784	+ $158,266,246	+ 26.33
Operating expenses	454,361,332	375,485,960	+ 78,875,372	+ 21.01
Ratio of expenses to earnings	(59.84%)	(62.47%)		
Net earnings	$304,968,698	$225,577,824	+ $79,390,874	+ 35.19

In order to understand more clearly the significance of the 26.33% increase in rail operating earnings for the month of May over the corresponding period of the previous year, we turn now to consider the numerous aspects of general business and industry. In relation to their bearing on the revenues of the railroads, we have compiled in the subjoined tabulation those figures indicative of the activity in the more essential industries together with those pertaining to grain and livestock receipts and revenue freight carloadings for the month of May, 1943, as compared with the same month of 1942, 1941, 1932 and 1929:

May—	1943	1942	1941	1932	1929
Building ($000):					
†Constr. contracts awarded	234,426	673,517	548,700	77,172	587,766
Coal (net tons):					
‡Bituminous	47,855,000	47,860,000	42,892,000	18,384,000	40,706,000
§Pennsylvania anthracite	5,240,000	4,843,000	3,858,000	3,278,000	6,308,000
Freight Traffic:					
¶Carloadings, all (cars)	z4,149,708	z4,170,548	z4,160,060	x2,088,088	x4,130,467
††Livestock receipts:					
Chicago (cars)	6,132	5,387	5,851	11,864	16,935
Kansas City (cars)	3,700	3,639	2,424	4,343	6,908
Omaha (cars)	2,393	1,904	1,728	3,574	6,050
‡‡Western flour and grain receipts:					
Flour (000 barrels)	z1,934	z2,239	z2,086	z1,820	z2,299
Wheat (000 bushels)	z41,673	z19,762	z34,418	z18,113	z20,643
Corn (000 bushels)	z29,121	z28,381	z28,291	z10,831	z13,138
Oats (000 bushels)	z11,266	z6,665	z4,428	z7,468	z11,355
Barley (000 bushels)	z11,886	z7,559	z11,329	z1,919	z3,052
Rye (000 bushels)	z4,454	z1,714	z3,609	z1,401	z1,524
Iron and Steel (net tons):					
§§Steel ingot production	7,545,379	7,382,578	7,044,565	1,277,302	6,008,754
Lumber (000 ft.):					
¶¶Production	*	z1,246,800	z1,282,013	z595,157	z1,851,947
¶¶Shipments	*	z1,444,233	z1,365,622	z665,787	z1,910,977
¶¶Orders received	*	z1,502,827	z1,461,332	z631,820	z1,772,573

Note—Figures in above table issued by:

*Only percentage are available. †F. W. Dodge Corp. (figures for 37 States east of Rocky Mountains). ‡National Bituminous Coal Commission. §United States Bureau of Mines. ¶Association of American Railroads. ††Reported by major stock yard companies in each city. ‡‡New York Produce Exchange. §§American Iron and Steel Institute. ¶¶National Lumber Manufacturers' Association (number of reporting mills varies in different years). x Four weeks. z Five weeks.

A brief perusal of the figures in the above tabulation for May 1943 shows with clarity that the current statistics of the industries covered were on a moderately increased scale as compared with the corresponding month a year ago. Needless to say, activity in the building industry was at low ebb. Construction contracts awarded in the 37 Eastern States during May of the present year involved a money outlay of $234,426,000, which represented a decline of 23% from the preceding month and is just slightly more than one-third of the $673,517,000 recorded in May, 1942, when construction was at a very high level. Due to the recent cessation of work by coal miners, Pennsylvania anthracite recorded only an increase of 397,000 net tons, or 8.20%, while bituminous coal experienced a slight drop of 5,000 net tons, or 0.01%, in comparison with the 1942 monthly total. In the case of steel, the American Iron & Steel Institute calculates the output of steel ingots and castings at 7,545,379 net tons. The May tonnage fell short of the peak of 7,670,187 tons produced in March of this year. It was, however, substantially above production in May, 1942, when 7,382,578 net tons were produced and also exceeded the April 1943 total of 7,374,154 net tons. Livestock receipts reported quite substantial gains over the same month last year. Lumber shipments for the four weeks ended May 29, 1943, were 8.2% less than the average for the same period in the latest three years (1940-1942). Based on reports of identical mills for equivalent working periods, lumber shipments in the month under review were 2% and orders were 4% above production. Carloadings declined 20,840 cars, or 0.50%, due primarily to the partial suspension of coal mining caused by the strike.

Commensurate with the upward trend in the volume of business, the separate roads, in most instances, were able to reflect a gain in gross earnings, although net earnings were diminished by increases in expenses, and, in a few cases, expenses more than offset the gains in gross, causing losses in net earnings. In other words, while the list of roads showing increases in gross earnings is a long one, only 64 roads were able to record increases in earnings of $100,000 or more.

On examination, we find that the Southern Pacific was the leading carrier in both categories surpassing its 1942 earnings by $16,369,326 in gross and $9,977,635 in net. The Union Pacific, third in the net with a $7,918,363 increase, gained second place in the gross listing with an improvement of $14,338,341 over 1942. Second to the Southern Pacific in the net column we notice the Atchison Topeka & Santa Fe reported an increase of $8,913,263. Recording the third largest gross gain, one of $13,966,751, was the Pennsylvania. Other roads showing substantial gains were the New York Central, Chicago Rock Island & Pacific, Chicago Burlington & Quincy and Southern Ry. All of these roads were able to convert a very high percentage of their gross earnings in the net column. In reference to decreases, only four roads showed declines in the gross, but in the net 15 roads showed downward trends.

Both increases and decreases of $100,000 or more in gross and net earnings of the individual roads and systems are compiled in our customary form in the subjoined tabulation:

PRINCIPAL CHANGES IN GROSS EARNINGS FOR THE MONTH OF MAY

	Increase		Increase
Southern Pacific (2 roads)	$16,369,326	Chesapeake & Ohio	$603,625
Union Pacific	14,338,341	Cincinnati, New Orleans & Texas Pacific	600,585
Pennsylvania	13,966,751	Spokane, Portland & Seattle	594,265
Atchison, Topeka & Santa Fe	12,328,934	Central of New Jersey	588,031
New York Central	*12,150,911	Grand Trunk Western	586,000
Chicago Rock Island & Pacific	5,030,572	Chicago, Great Western	561,370
Chicago Burlington & Quincy	4,548,580	Louisiana & Arkansas	492,199
Baltimore & Ohio	4,527,968	Norfolk & Western	470,967
Southern	4,420,233	Alabama, Great Southern	377,715
Missouri Pacific	4,340,188	Wheeling & Lake Erie	340,061
Atlantic Coast Line	4,120,051	Chicago, St. Paul, Minneapolis & Omaha	310,082
Chicago, Milwaukee, St Paul & Pacific	3,733,497	Minneapolis, St. Paul & S. S. M.	308,977
Louisville & Nashville	3,619,585	Georgia, Southern & Florida	275,109
Great Northern	3,356,208	Western Maryland	249,455
Seaboard Air Line	2,890,521	Georgia	240,330
Northern Pacific	2,602,183	Pennsylvania-Reading Seashore Lines	216,835
Illinois Central	2,551,913	Northwestern Pacific	210,707
New York, New Haven & Hartford	2,529,613	Gulf, Mobile & Ohio	206,615
Chicago & Northwestern	2,266,388	Pittsburgh & West Virginia	198,431
Texas & Pacific	2,148,800	Canadian Pacific Lines in Maine	197,407
Denver & Rio Grande Western	2,108,972	Toledo, Peoria & Western	192,181
Erie	2,085,007	New Orleans & Northeastern	181,256
Florida East Coast	1,806,904	Burlington-Rock Island	177,527
Wabash	1,625,993	Atlanta, Birmingham & Coast	173,489
Yazoo & Mississippi Valley	1,567,952	Bangor & Aroostook	172,311
St. Louis-San Francisco (2 roads)	1,492,119	New York, Susquehanna & Western	166,299
Lehigh Valley	1,443,873	Minneapolis & St. Louis	158,470
Reading	1,251,349	Central Vermont	149,552
Western Pacific	1,202,047	Detroit, Toledo & Ironton	132,651
St. Louis Southwestern	1,180,681	Pittsburgh & Lake Erie	127,377
Nashville, Chattanooga & St. Louis	1,143,990	Chicago, Indianapolis & Louisville	125,966
Pere Marquette	1,050,739	Akron, Canton & Youngstown	118,529
Chicago & East Illinois	987,805	Atlanta & West Point	109,117
Richmond, Fredericksburg & Potomac	955,282	Delaware & Hudson	108,331
Central of Georgia	952,174	Charleston & West Carolina	106,717
New Orleans, Texas & Mexico (3 roads)	945,885	Ann Arbor	105,998
Delaware, Lackawanna & Western	932,601	Total (85 roads)	$159,613,330
Colorado & Southern (2 roads)	847,124		Decrease
New York, Chicago & St. Louis	781,734	Duluth, Missabe & Iron Range	$421,270
Alton	777,758	Bessemer & Lake Erie	377,381
International, Great Northern	702,071	Lake Superior & Ishpeming	187,689
Long Island	700,095	Elgin, Joliet & Eastern	159,184
Boston & Maine	661,376		
Missouri-Kansas-Texas	634,699	Total (4 roads)	$1,145,524

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, the result is an increase of $12,278,288.

PRINCIPAL CHANGES IN NET EARNINGS FOR THE MONTH OF MAY

	Increase		Increase
Southern Pacific (2 roads)	$9,977,635	Spokane, Portland & Seattle	$335,815
Atchison, Topeka & Santa Fe	8,913,263	Lehigh Valley	307,536
Union Pacific	7,918,363	International Great Northern	282,027
New York Central	*7,782,423	Wheeling & Lake Erie	239,763
Pennsylvania	5,197,915	Minneapolis, St. Paul & S. S. M.	238,744
Chicago, Rock Island & Pacific	3,249,899	Chicago, St. Paul, Minneapolis & Omaha	238,509
Southern	2,992,698	Reading	236,667
Chicago, Burlington & Quincy	2,896,114	Louisiana & Arkansas	210,486
Chicago, Milwaukee, St. Paul & Pacific	2,561,301	New York, Chicago & St. Louis	196,397
Missouri Pacific	1,974,094	Georgia, Southern & Florida	156,478
Northern Pacific	1,784,323	Pittsburgh & West Virginia	153,322
Louisville & Nashville	1,776,065	Minneapolis & St. Louis	139,196
Atlantic Coast Line	1,625,009	Toledo, Peoria & Western	130,620
Baltimore & Ohio	1,567,420	Northwestern Pacific	129,077
Seaboard Air Line	1,551,708	Canadian Pacific Lines in Maine	128,402
Erie	1,511,689	Alabama, Great Southern	121,005
Denver & Rio Grande Western	1,448,106	Burlington-Rock Island	119,390
Chicago & Northwestern	1,379,347	New York, Susquehanna & Western	118,416
Great Northern	1,324,836	Pennsylvania-Reading Seashore Lines	101,844
Florida East Coast	1,251,041	Atlanta, Birmingham & Coast	100,323
New York, New Haven & Hartford	1,147,414	Georgia	100,019
Yazoo & Mississippi Valley	1,064,803	Total (64 roads)	$84,532,073
Wabash	944,639		Decrease
Western Pacific	831,832	Missouri-Kansas-Texas	$991,733
St. Louis Southwestern	820,899	Bessemer & Lake Erie	671,281
Texas & Pacific	797,939	Chesapeake & Ohio	617,899
New Orleans, Texas & Mexico (3 roads)	665,258	Duluth, Missabe & Iron Range	604,894
Richmond, Fredericksburg & Potomac	629,697	Illinois Central	481,425
Chicago & East Illinois	594,212	Elgin, Joliet & Eastern	448,990
Pere Marquette	554,112	Kansas City Southern	311,434
Colorado & Southern (2 roads)	541,627	Norfolk & Western	219,271
Nashville, Chattanooga & St. Louis	519,798	Gulf, Mobile & Ohio	179,477
Delaware, Lackawanna & Western	489,727	Bangor & Aroostook	175,285
Alton	479,260	Lake Superior & Ishpeming	159,914
Central of Georgia	437,738	Virginian	150,211
Long Island	411,008	Kansas, Oklahoma & Gulf	111,696
Cincinnati, New Orleans & Texas Pacific	384,743	Delaware & Hudson	104,844
Chicago, Great Western	368,706	Boston & Maine	100,662
Grand Trunk Western	351,376	Total (15 roads)	$5,329,016

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, the result is an increase of $7,711,189.

In order to indicate which sections of the country have been most active, we now turn to our break-down of the nation as a whole. Arranging the roads in groups of geographical divisions, according to their location, the generally favorable results recorded during the month under review are very clearly manifested. It is of interest to note that all the great districts—the Eastern, the Southern and the Western—as well as the various regions comprising these districts, with the exception of the Pocahontas which suffered a

contraction in net revenues, reveal gains in both gross and net earnings alike.

Upon review of the various districts, we take notice that the Western District was foremost in both gross and net earnings with percentage gains of 37.02 and 58.28, respectively. In regard to the small subdivisions, the Central Western region headed the gross and net columns with increases of 48.43% and 88.04%, respectively. Percentage gains of other roads in gross and net ranged from 34.62 to 5.81.

Without further comment, we now make reference to our summary grouping which follows and which coincides with the classification prescribed by the Interstate Commerce Commission. The territories covered by the various divisions, districts and regions are explained in the footnote which is subjoined to the following table:

SUMMARY BY GROUPS—MONTH OF MAY

District and Region	Gross Earnings 1943	1942	Inc. (+) or Dec. (—)	
	$	$	$	%
Eastern District—				
New England region (10 roads)	26,626,278	23,284,128	+ 3,342,150	+14.35
Great Lakes region (23 roads)	124,189,503	102,849,685	+ 21,339,818	+20.75
Central Eastern region (18 roads)	151,464,599	128,760,652	+ 22,703,947	+17.63
Total (51 roads)	302,280,380	254,894,465	+ 47,385,915	+18.59
Southern District—				
Southern region (26 roads)	112,964,617	87,440,012	+ 25,524,605	+29.19
Pocahontas region (4 roads)	35,367,318	33,423,734	+ 1,943,584	+ 5.81
Total (30 roads)	148,331,935	120,863,746	+ 27,468,189	+22.73
Western District—				
Northwestern region (15 roads)	76,876,765	63,438,806	+ 13,437,959	+21.18
Central Western region (16 roads)	167,590,919	112,909,034	+ 54,681,885	+48.43
Southwestern region (20 roads)	64,250,031	48,957,733	+ 15,292,298	+31.24
Total (51 roads)	308,717,715	225,305,573	+ 83,412,142	+37.02
Total all districts (132 roads)	759,330,030	601,063,784	+158,266,246	+26.33

District and Region	Mileage 1943	1942	Net Earnings 1943	1942	Incr. (+) or Dec. (—)	
Eastern District—			$	$	$	%
New England region	6,599	6,649	9,860,013	8,868,673	+ 991,340	+ 11.18
Great Lakes region	25,817	26,023	47,429,823	35,233,227	+ 12,196,596	+ 34.62
Central East. region	24,027	24,219	53,013,338	45,536,355	+ 7,476,983	+ 16.42
Total	56,443	56,891	110,303,174	89,638,255	+ 20,664,919	+ 23.05
Southern District—						
Southern region	37,412	37,761	48,624,444	37,202,416	+ 11,422,028	+ 30.70
Pocahontas region	6,019	6,059	16,592,790	16,950,474	— 357,684	— 2.11
Total	43,431	43,820	65,217,234	54,152,890	+ 11,064,344	+ 20.43
Western District—						
Northwestern region	45,403	45,609	30,874,558	23,174,988	+ 7,699,570	+ 33.22
Central West. region	55,307	56,055	73,204,255	38,930,673	+ 34,273,582	+ 88.04
Southwestern region	28,773	28,993	25,369,477	19,681,018	+ 5,688,459	+ 28.90
Total	129,483	130,657	129,448,290	81,786,679	+ 47,661,611	+ 58.28
Total all districts	229,357	231,368	304,968,698	225,577,824	+ 79,390,874	+ 35.19

Note—Our grouping of the roads conforms to the classification of the Interstate Commerce Commission, and the following indicates the confines of the different groups and regions:

EASTERN DISTRICT

New England Region—Comprises the New England States.

Great Lakes Region—Comprises the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York.

Central Eastern Region—Comprises the section south of the Great Lakes Region east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg, W. Va., and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

SOUTHERN DISTRICT

Southern Region—Comprises the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic.

Pocahontas Region—Comprises the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth.

WESTERN DISTRICT

Northwestern Region—Comprises the section adjoining Canada lying west of the Great Lakes Region, north of a line from Chicago to Omaha and thence to Portland, and by the Columbia River to the Pacific.

Central Western Region—Comprises the section south of the Northwestern Region west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific.

Southwestern Region—Comprises the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso, and by the Rio Grande to the Gulf of Mexico.

The May current-year grain movement at the Western terminals was substantially larger than last year and contributed to the heavier traffic. With respect to the individual grains, wheat receipts more than doubled last year's figure by aggregating 41,673,000 bushels. Arrivals of oats and rye increased 69.03% and 159.86%, respectively, over 1942. Corn and barley has a combined increase total of 5,067,000. Flour receipts showed a contraction of 305,000 barrels, or 13.62% below the May 1942 total.

In our usual form, we now present a detailed statement of the grain traffic over the Western roads for the four weeks ended May 29, 1943, as compared with the corresponding period ended Mav 30, 1942:

WESTERN FLOUR AND GRAIN RECEIPTS

5 Weeks Ended May 29

(000 Omitted)	Year	Flour (bbls.)	Wheat (bush.)	Corn (bush.)	Oats (bush.)	Rye (bush.)	Barley (bush.)
Chicago	1943	1,138	1,991	9,101	3,673	1,953	1,704
	1942	1,000	905	8,890	2,145	416	1,472
Minneapolis	1943	----	13,779	1,644	3,655	1,431	3,383
	1942	----	7,833	2,514	1,674	841	2,363
Duluth	1943	----	5,671	912	125	286	1,715
	1942	----	4,010	2,792	2	35	146
Milwaukee	1943	56	114	835	20	106	3,959
	1942	85	34	1,146	105	51	2,699
Toledo	1943	----	636	801	491	334	205
	1942	283	391	402	277	165	38
Indianapolis & Omaha	1943	----	2,885	4,417	1,174	88	2
	1942	----	811	3,545	1,130	23	2
St. Louis	1943	474	6,559	3,875	888	91	293
	1942	577	633	1,941	272	77	283
Peoria	1943	183	968	3,138	172	26	368
	1942	201	356	4,273	192	72	393
Kansas City	1943	83	7,111	3,490	614	----	----
	1942	93	3,298	2,259	530	----	----
St. Joseph	1943	----	335	426	257	----	----
	1942	----	182	320	287	----	----
Wichita	1943	----	1,092	----	----	----	----
	1942	----	807	19	2	----	----
Sioux City	1943	----	532	482	197	139	257
	1942	----	502	280	49	19	163
Detroit	1943	----	----	----	----	----	----
	1942	----	----	----	----	15	----
Total all	1943	1,934	41,673	29,121	11,266	4,454	11,886
	1942	2,239	19,762	28,381	6,665	1,714	7,559

WESTERN FLOUR AND GRAIN RECEIPTS

5 Months Ended May 29

(000 Omitted)	Year	Flour (bbls.)	Wheat (bush.)	Corn (bush.)	Oats (bush.)	Rye (bush.)	Barley (bush.)
Chicago	1943	5,263	11,725	49,212	7,474	2,203	7,412
	1942	4,761	3,369	42,018	7,779	1,460	6,100
Minneapolis	1943	51	65,080	7,973	14,876	5,514	19,905
	1942	----	36,112	10,348	11,116	4,530	14,603
Duluth	1943	----	22,599	2,887	691	1,002	2,519
	1942	----	13,514	5,518	71	779	1,301
Milwaukee	1943	423	395	5,133	46	151	12,622
	1942	337	167	4,706	327	415	10,657
Toledo	1943	----	3,813	3,737	2,390	479	1,011
	1942	283	2,795	3,698	1,376	438	101
Indianapolis & Omaha	1943	----	12,945	27,912	5,563	93	63
	1942	----	4,743	23,424	4,985	171	34
St. Louis	1943	2,877	22,361	14,728	3,983	195	1,511
	1942	2,900	4,000	10,793	1,464	643	1,091
Peoria	1943	906	3,894	17,290	922	144	1,832
	1942	836	1,006	19,920	726	416	1,598
Kansas City	1943	420	37,878	16,672	2,722	----	----
	1942	343	16,283	15,500	1,530	----	----
St. Joseph	1943	----	2,442	3,329	1,224	----	----
	1942	----	1,136	2,364	1,388	----	----
Wichita	1943	----	6,361	38	----	----	----
	1942	----	4,565	19	2	----	----
Sioux City	1943	----	2,153	4,542	1,201	523	1,572
	1942	----	859	1,935	329	72	679
Detroit	1943	----	----	----	----	----	----
	1942	----	----	----	----	15	----
Total all	1943	9,940	191,646	153,453	41,092	10,304	48,447
	1942	9,460	88,549	140,243	31,093	8,939	36,164

As is our practice in these monthly reviews, we furnish a summary of the May comparisons of the gross and net earnings of the railroads of the country from the current year back to and including 1909:

Month of May	Gross Earnings Year Given	Year Preceding	Inc. (+) or Dec. (—)	%	Mileage Year Given	Year Preced'g
1909	$196,826,686	$170,600,041	+$26,226,645	+15.37	220,314	217,933
1910	230,033,384	198,049,990	+ 31,983,394	+16.15	229,345	225,274
1911	226,442,818	231,066,896	— 4,624,078	— 2.00	236,230	232,503
1912	232,229,364	226,184,666	+ 6,044,698	+ 2.67	235,410	231,597
1913	263,496,033	232,879,970	+ 30,616,063	+13.15	239,445	236,619
1914	239,427,102	265,435,022	— 26,007,920	— 9.80	246,060	243,954
1915	244,692,738	243,367,953	+ 1,324,785	+ 0.54	247,747	245,207
1916	308,029,096	244,580,685	+ 63,448,411	+25.94	248,206	247,189
1917	353,825,032	308,132,969	+ 45,692,063	+14.83	248,312	247,842
1918	374,237,097	342,463,442	+ 31,773,655	+ 9.28	230,355	228,892
1919	413,190,468	378,058,163	+ 35,132,305	+ 9.29	233,931	234,339
1920	387,330,487	348,701,414	+ 38,629,073	+11.08	213,206	211,040
1921	444,028,885	457,243,216	— 13,214,331	— 2.89	235,333	234,916
1922	447,299,150	443,229,399	+ 4,069,751	+ 0.92	234,931	234,051
1923	545,503,898	447,993,844	+ 97,510,054	+21.77	235,186	235,472
1924	476,458,749	546,934,883	— 70,476,133	—12.89	235,894	234,452
1925	487,664,385	476,549,801	+ 11,114,584	+ 2.33	236,663	236,096
1926	516,467,480	487,952,182	+ 28,515,298	+ 5.84	236,833	236,858
1927	517,543,015	516,454,998	+ 1,088,017	+ 0.21	238,025	237,275
1928	509,746,395	518,569,718	— 8,823,323	— 1.70	240,120	239,079
1929	536,723,030	510,543,213	+ 26,179,817	+ 5.13	241,280	240,798
1930	462,444,002	537,575,914	— 75,131,912	—13.97	242,156	241,758
1931	368,485,871	462,577,503	— 94,091,632	—20.34	242,716	242,542
1932	254,382,711	368,417,190	—114,034,479	—30.95	241,995	242,163
1933	257,963,036	254,378,672	+ 3,584,364	+ 1.41	241,484	242,143
1934	281,627,332	254,857,827	+ 26,769,505	+10.50	238,983	240,900
1935	279,153,707	281,642,980	— 2,489,273	— 0.88	237,951	238,980
1936	320,487,420	279,133,293	+ 41,354,127	+14.82	237,012	238,159
1937	352,044,249	320,414,211	+ 31,630,038	+ 9.87	235,873	236,357
1938	272,073,108	351,973,150	— 79,900,042	—22.70	234,759	235,547
1939	301,992,820	272,017,483	+ 29,975,337	+11.02	233,545	234,694
1940	342,532,854	301,993,228	+ 40,539,626	+13.42	232,819	233,530
1941	441,529,184	342,665,256	+ 98,863,928	+28.85	232,242	232,863
1942	601,064,733	441,529,183	+159,535,550	+36.31	230,768	232,297
1943	759,330,030	601,063,784	+158,266,246	+26.33	229,357	231,368

Month of May	Net Earnings Year Given	Year Preceding	Increase (+) or Decrease (—)	%
1909	$64,690,920	$49,789,800	+$14,901,120	+29.93
1910	70,084,170	64,857,343	+ 5,226,827	+ 8.06
1911	69,173,574	70,868,645	— 1,695,071	— 2.39
1912	66,035,597	68,488,263	— 2,452,666	— 3.58
1913	73,672,313	66,499,916	+ 7,172,397	+10.79
1914	57,628,765	73,385,635	— 15,756,870	—21.47
1915	71,958,563	57,339,166	+ 14,619,397	+25.50
1916	105,598,255	71,791,320	+ 33,806,935	+47.09
1917	109,307,435	105,782,717	+ 3,524,718	+ 3.33
1918	91,995,194	106,454,218	— 14,459,024	—13.58
1919	58,293,249	92,252,037	— 33,958,788	—36.81
1920	28,684,058	51,056,449	— 22,372,391	—43.82
1921	64,882,813	20,043,003	+ 44,839,810	+223.72
1922	92,931,565	64,866,637	+ 28,064,928	+43.27
1923	126,173,540	93,599,825	+ 32,573,715	+34.80
1924	96,048,087	126,496,150	— 30,448,063	—24.07
1925	112,859,524	96,054,494	+ 16,805,030	+17.50
1926	128,581,566	112,904,074	+ 15,677,492	+13.89
1927	126,757,878	127,821,385	— 1,063,507	— 0.83
1928	128,780,393	127,940,076	+ 840,317	+ 0.66
1929	146,798,792	129,044,791	+ 17,754,001	+13.76
1930	111,387,758	147,099,034	— 35,711,276	—24.28
1931	81,038,584	111,359,322	— 30,320,738	—27.23
1932	47,429,240	81,052,518	— 33,623,278	—41.48
1933	74,844,410	47,416,270	+ 27,428,140	+57.85
1934	72,084,732	73,703,351	— 1,618,619	— 2.20
1935	70,416,370	72,083,220	— 1,666,850	— 2.31
1936	80,729,491	70,331,577	+ 10,397,914	+14.78
1937	85,335,430	80,737,173	+ 4,598,257	+ 5.70
1938	55,483,001	85,335,563	— 29,852,562	—34.98
1939	65,168,331	55,486,333	+ 9,681,998	+17.45
1940	90,494,636	65,198,328	+ 25,296,308	+38.80
1941	145,348,136	90,573,937	+ 54,774,199	+60.48
1942	225,576,889	145,481,304	+ 80,095,585	+55.06
1943	304,968,698	225,577,824	+ 79,390,874	+35.19

Emery Says Bonus Should Help Service Men, Not Politicians

"No one political office holder, or no one political party group, should attempt to take credit for proposing and promoting a post-war soldiers' bonus," said DeWitt Emery, President of the National Small Business Men's Association, in a statement issued Aug. 11.

Mr. Emery was the author of a provocative article, "Let's Plan Now For the Bonus," published as long ago as April, 1942, in the "Rotarian," national magazine of Rotary International. In his current statement, he said: "The money cost of providing for our service men and women while they are being returned and re-adjusted to civilian life—whether the plan calls for an outright cash payment or unemployment insurance, or both—will be charged to all the tax payers. The best minds in the country, regardless of political affiliation, should co-operate in determining the proper way to handle this important matter."

Mr. Emery recalled that the bonus for soldiers of the last war was paid belatedly and only after strong protest and denial by some who now widely publicize their proposals to help the men and women returning from the present war. Continuing, Mr. Emery stated: "Objections to the previous soldiers' bonus were made at a time when the Federal debt was billions less than it is now, or is likely to be for many years after the present conflict ends. And the debt to our returned heroes was finally paid only after thousands of them, and their families, had been reduced to degraded circumstances. Let's not permit our patriotic service men and women to be let down so cruelly after the present war. A soldiers' bonus is a matter of concern to the entire country, and its planning should be entirely disassociated from politics."

Mr. Emery long has advocated the setting aside, by business, of cash reserves so that when the war is ended reconversion of industry may be speeded up and jobs more quickly provided for those returning from service and also for the millions of workers whose employment in war production fields will have been terminated. Mr. Emery and other representatives of the National Small Business Men's Association have made definite recommendations along these lines when appearing before Congressional committees studying the effects of renegotiation of war contracts and other matters.

As a further step toward promptly providing real help for our returning service men and women and others when the war ends, Mr. Emery urges that business firms, wherever practicable, make an immediate study of their post-war production and servicing problems, and place orders at once with their supply houses for whatever equipment and materials they will need to get into peace-time production. Such advance planning will be beneficial all along the line, and will do much to prevent a prolonged economic slump before full reconversion is accomplished, he said.

Rayon Deliveries Higher

Shipments of rayon filament yarn to domestic consumers continued at a high pace during July aggregating 39,700,000 pounds, according to figures compiled by the "Rayon Organon," published by the Textile Economics Bureau, Inc., New York. The July total compared with 39,600,000 pounds shipped during June and with 39,900,000 pounds shipped during July 1942. For the seven months to July 31, 1943, shipments aggregated 282,200,000 pounds as compared with 271,300,000 pounds in the corresponding period last year, an increase of 4%.

The Bureau's announcement added:

"Rayon staple fiber deliveries to domestic consumers aggregated 12,500,000 pounds during July 1943, as against 13,300,000 pounds shipped in June and 12,600,000 pounds shipped in July 1942. Staple fiber deliveries for the seven months to July 31, 1943, aggregated 91,200,000 pounds as compared with 88,400,000 pounds shipped in the corresponding period last year, an increase of 3%.

"Stocks of rayon filament yarn in the hands of producers totaled 6,100,000 pounds on July 31, 1943, as compared with 6,500,000 pounds held on June 30, and with 6,500,000 pounds held on July 31, 1942.

"Staple fiber stocks held on July 31, totaled 3,200,000 pounds compared with 2,900,000 pounds held on June 30, and 3,100,000 pounds a year ago."

Ecuador Bans Exch. Quota

Quarterly exchange quotas for importers in Ecuador have been abolished and established merchants may now obtain unlimited exchange for importation of merchandise, according to the Department of Commerce.

The provision requiring that a certain percentage of foreign exchange be allocated for various requirements of the Republic has been cancelled.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R	P. U	Indus
Aug 24	120.28	111.07	119.00	116.61	111.44	98.88	102.96	113.89	117.20
23	120.22	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
21	120.20	111.25	119.20	116.80	111.62	99.04	103.30	114.08	117.00
20	120.20	111.25	119.20	116.80	111.44	99.04	103.30	113.89	117.00
19	120.20	111.25	119.20	116.80	111.44	99.04	103.47	113.89	117.00
18	120.24	111.25	119.20	116.80	111.62	99.04	103.30	113.89	117.20
17	120.24	111.25	119.20	117.00	111.62	99.04	103.30	113.89	117.20
16	120.29	111.25	119.20	117.00	111.62	99.04	103.30	113.89	117.20
14	120.29	111.25	119.20	117.00	111.62	99.04	103.30	113.89	117.20
13	120.29	111.25	119.20	116.80	111.62	99.04	103.30	113.89	117.20
12	120.32	111.25	119.20	116.80	111.62	99.04	103.30	114.08	117.00
11	120.40	111.25	119.20	116.80	111.81	99.04	103.30	114.08	117.20
10	120.38	111.44	119.20	117.00	111.81	99.04	103.30	114.08	117.20
9	120.27	111.25	119.20	116.80	111.62	99.04	103.30	114.08	117.20
7	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.40
6	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.20
5	120.19	111.25	119.41	117.00	111.44	99.04	103.30	114.08	117.20
4	120.19	111.44	119.41	117.00	111.44	99.20	103.30	114.08	117.40
3	120.19	111.25	119.20	117.00	111.44	99.04	103.13	114.08	117.20
2	120.19	111.25	119.20	117.00	111.44	99.04	103.13	114.08	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
23	120.51	111.25	119.20	116.80	111.44	99.20	103.30	114.08	117.00
16	120.46	111.25	119.20	116.80	111.44	99.20	103.13	114.08	117.20
9	120.73	111.07	119.20	116.61	111.25	98.88	102.80	114.08	117.00
2	120.75	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
18	120.15	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
11	119.99	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
4	119.92	110.34	118.40	115.82	111.07	97.78	102.30	113.50	116.02
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
21	119.44	110.15	118.20	115.82	110.70	97.47	101.97	113.12	115.82
14	119.27	109.97	118.00	115.63	110.70	97.47	101.80	113.12	115.82
7	119.03	109.79	118.00	115.43	110.52	97.16	101.47	112.93	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Aug. 24, 1942	117.93	107.09	117.00	113.31	108.16	92.06	96.54	111.62	114.08
2 Years ago Aug. 23, 1941	118.78	107.62	118.00	114.66	108.70	91.77	97.16	112.00	115.04

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus
Aug 24	1.83	3.11	2.70	2.82	3.09	3.82	3.57	2.96	2.79
23	1.84	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
21	1.84	3.10	2.69	2.81	3.08	3.81	3.55	2.95	2.80
20	1.84	3.10	2.69	2.81	3.09	3.81	3.55	2.96	2.80
19	1.84	3.10	2.69	2.81	3.09	3.81	3.54	2.96	2.80
18	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.96	2.79
17	1.83	3.10	2.69	2.80	3.08	3.81	3.55	2.96	2.79
16	1.83	3.10	2.69	2.80	3.08	3.81	3.55	2.96	2.79
14	1.83	3.10	2.69	2.80	3.08	3.81	3.55	2.96	2.79
13	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.96	2.79
12	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.95	2.80
11	1.83	3.10	2.69	2.81	3.07	3.81	3.55	2.95	2.79
10	1.83	3.09	2.69	2.80	3.07	3.81	3.55	2.95	2.79
9	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.95	2.79
7	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.78
6	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.79
5	1.84	3.10	2.68	2.80	3.09	3.81	3.55	2.95	2.79
4	1.84	3.09	2.68	2.80	3.09	3.80	3.55	2.95	2.78
3	1.84	3.10	2.69	2.80	3.09	3.81	3.56	2.95	2.79
2	1.84	3.10	2.69	2.80	3.09	3.81	3.56	2.95	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
23	1.81	3.10	2.69	2.81	3.09	3.80	3.55	2.95	2.80
16	1.82	3.10	2.69	2.81	3.09	3.80	3.56	2.95	2.79
9	1.80	3.11	2.69	2.82	3.10	3.82	3.58	2.95	2.80
2	1.80	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
18	1.84	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
11	1.87	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
4	1.87	3.15	2.73	2.86	3.11	3.89	3.61	2.98	2.85
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
21	1.90	3.16	2.74	2.86	3.13	3.91	3.63	3.00	2.86
14	1.92	3.17	2.75	2.87	3.13	3.91	3.64	3.00	2.86
7	1.93	3.18	2.75	2.88	3.14	3.93	3.66	3.01	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Aug. 24, 1942	2.02	3.33	280	2.99	3.27	4.27	3.97	3.08	2.95
2 Years ago Aug. 23, 1941	1.96	3.30	2.75	2.92	3.24	4.29	3.93	3.06	2.90

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

July Life Insurance Sales Advance

The sale of ordinary life insurance in the United States in July amounted to $632,881,000, an increase of 31% over the amount sold in the same month of 1942, according to the monthly survey issued by the Life Insurance Sales Research Bureau, Hartford, Conn. The total sales volume for the first seven months of 1943, aggregating $4,131,526,000, however, is 1% below the amount sold in the same period of 1942.

The sales volume and the ratios for all sections are reported by the Bureau as follows:

	JULY, 1943 Sales Volume in $1,000	Ratios '43-'42 All Cos.	YEAR TO DATE Sales Volume in $1,000	Ratios '43-'42 All Cos.
U. S. Total	$632,881	131%	$4,131,526	99%
New England	49,505	127	318,685	96
Middle Atlantic	162,769	132	1,092,536	96
E. N. Central	136,557	123	921,058	97
W. N. Central	65,077	133	411,259	102
S. Atlantic	67,621	143	414,440	104
E. S. Central	25,077	129	165,460	98
W. S. Central	45,377	141	292,269	101
Mountain	17,808	132	117,343	113
Pacific	63,090	136	398,376	104

Electric Output For Week Ended Aug. 21, 1943, Shows 16.1% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 21, 1943, was approximately 4,264,825,000 kwh., compared with 3,673,717,000 kwh. in the corresponding week last year, an increase of 16.1%. The output for the week ended Aug. 14, 1943, was 17.3% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— Aug. 21	Aug. 14	Aug. 7	July 31
New England	5.1	5.8	8.7	6.70
Middle Atlantic	15.9	18.3	19.6	17.6
Central Industrial	14.0	16.3	15.8	14.1
West Central	14.5	17.1	14.3	14.2
Southern States	20.5	19.1	16.6	16.0
Rocky Mountain	17.7	20.5	15.4	16.5
Pacific Coast	18.5	19.1	18.6	21.1
Total United States	16.1	17.3	16.6	15.8

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
May 1	3,866,721	3,304,602	+17.0	2,944,906	1,429,032	1,688,434
May 8	3,903,723	3,365,208	+16.0	3,003,921	1,436,928	1,698,942
May 15	3,969,161	3,356,921	+18.2	3,011,345	1,435,731	1,704,426
May 22	3,992,250	3,379,985	+18.1	3,040,029	1,425,151	1,705,460
May 29	3,990,040	3,322,651	+20.1	2,954,647	1,381,452	1,615,085
Jun 5	3,925,893	3,372,374	+16.4	3,076,323	1,435,471	1,689,925
Jun 12	4,040,376	3,463,528	+16.7	3,101,291	1,441,532	1,699,227
Jun 19	4,098,401	3,433,711	+19.4	3,091,672	1,440,541	1,702,501
Jun 26	4,120,038	3,457,024	+19.2	3,156,825	1,456,961	1,723,428
July 3	4,110,793	3,424,188	+20.1	2,903,727	1,341,730	1,592,075
July 10	3,919,398	3,428,916	+14.3	3,178.054	1,415,704	1,711.625
July 17	4,184,143	3,565,367	+17.4	3,199,105	1,433,993	1,727,225
July 24	4,196,357	3,625,645	+15.7	3,220,526	1,440,386	1,732,031
July 31	4,226,705	3,649,146	+15.8	3,263,082	1,426,986	1,724,728
Aug 7	4,240,638	3,637,070	+16.6	3,233,242	1,415,122	1,729,667
Aug 14	4,287,827	3,654,795	+17.3	3,238,160	1,431,910	1,733,110
Aug 21	4,264,825	3,673,717	+16.1	3,230,750	1,436,440	1,750,056

Changes In Holdings Of Reacquired Stock Of N. Y. Stock And Curb Listed Firms

The monthly compilation of companies listed on the New York Stock Exchange reporting changes in their holdings or reacquired stock was made available on Aug. 16. Following is the tabulation issued by the Exchange:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Allegheny Ludlum Steel Corp., common	1,171	1,171	(1)
Allied Kid Co., common	40,699	40,451	(2)
American Hide and Leather Co., 6% conv. preferred	------	200	
Armour and Co. of Delaware, 7% preferred	5,518	5,509	
Associates Investment Co., common	35,724	37,181	
5% preferred	612	648	
Atlantic Gulf and West Indies S. S. Lines 5% pfd.	1,000	1,200	
Atlas Corp., common	87	96	
Borden Co. (The), capital	67,804	66,900	(3)
Bucyrus-Erie Co., 7% preferred	12,826	12,835	
Case (J. I.) Co., common	1,228	1,218	
Consolidated Laundries Corp., common	40,000	52,300	
Copperweld Steel Co., 5% conv. preferred	7,419	7,629	
Crucible Steel Co. of America, 5% conv. preferred	1,100	2,000	
Cuban-American Sugar Co. (The), 5½% conv. preferred	35,820	36,020	
Detroit Edison Co. (The), common	868	838	
Firestone Tire & Rubber Co. (The), common	318,204	304,104	
General Motors Corp., common	163,971	10,441	(4)
Goodyear Tire & Rubber Co. (The), $5 conv. pfd.	13,012	14,412	
Holly Sugar Corp., 7% preferred	1,974	2,790	
Interstate Department Stores, Inc., common	7,100	------	
Jewel Tea Co., Inc., common	2,589	2,584	
Madison Square Garden Corp., capital	25,600	26,200	
Mead Corp. (The), $5.50 pfd. "B"	2,327	2,577	
Nash-Kelvinator Corp., capital	84,405	84,410	
National Cylinder Gas Co., common	5,311	6,311	
National Department Stores Corp., 6% preferred	2,931	3,530	
Norfolk and Western Railway Co., adjustment 4% pfd.	6,182	6,232	
Plymouth Oil Co., common	5,084	5,884	
Purity Bakeries Corp., common	32,989	32,569	
Real Sil kHosiery Mills, Inc., 7% preferred	6,156	6,395	
Reliable Stores Corp., common	51,993	52,005	
Sinclair Oil Corp., common	330,901	330,906	
Swift & Co., capital	77,747	77,804	
Transamerica Corp., capital	1,127,000	1,190,930	
Twentieth Century-Fox Film Corp., $1.50 pfd.	44,463	45,363	
United States Leather Co. (The), prior preference	6,792	6,862	
Virginia Iron, Coal and Coke Co., 5% preferred	3,042	3,422	

NOTES

(1) Acquired 177 shares during June, 1943, and exchanged 177 shares for stock of a subsidiary in July, 1943.

(2) Acquired 102 shares during June and July, 1943, and sold 350 shares to employees.

(3) Acquired 14,600 shares and disposed of 15,504 shares for purchase of a company.

(4) Acquired 7,200 shares and disposed of 160,730 shares through employees bonus plan during June, 1943.

The New York Curb Exchange has issued the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
American General Corp., common	358,835	358,940
Cooper-Bessemer Corp., $3 prior preference	915	1,045
Crown Central Petroleum Corp., common	587	588
Dejay Stores, Inc., common	17,956	18,506
Dennison Manufacturing Co., "A" common	8,180	8,680
Detroit Gasket & Mfg. Co., 6% preferred	10,866	10,966
Esquire, Inc., capital	9,300	11,900
Horn (A. C.) Co., common	11,129	11,015
Interstate Hosiery Mills, Inc., capital	45,604	45,714
Klein (D. Emil) Co., Inc., common	17,369	17,769
Knott Corp., common	9,394	9,401
Mangel Stores Corp., common	495	595
$5 convertible preferred	3,268	3,788
Midland Oil Corp., $2 conv. preference	9,515	9,915
Mock, Judson, Voehringer Co., Inc., common	15,467	15,967
New Process Co., common	292	282
Starrett Corp., v. t. c., common	25	26
Sterchi Bros. Stores, Inc., 6% 1st pfd.	580	680
5% 2nd preferred	610	660
Sunray Oil Corp., 5½% conv. preferred	------	718
Trunz, Inc., common	17,259	17,559
United Cigar-Whelan Stores Corp., common	12,173	12,188
Utility Equities Corp., $5.50 div. pr. stock	9,900	10,100

MBA Concerned With Rise In Farm Real Estate Prices

While declaring that there can no longer be any question that farm land prices in many parts of the country have risen to such an extent that there is "serious reason for concern," the farm loan committee of the Mortgage Bankers Association of America said on Aug. 15 that certain proposed anti-inflation remedies, such as taxing 90% of the profit of a sale made two years after the previous sale, are extremely dangerous and might likely do more harm than good.

The committee said that "members of the Mortgage Bankers Association are watching with increasing concern the accumulating evidence of an impending farm land price inflation." Some advisory action is expected in September when the committee will meet in Chicago at the Association's 30th annual meeting and Conference on Post-war Planning.

The committee, headed by S. M. Waters of Minneapolis, declared that one by one the deterring factors which it had previously believed would hold down an inflationary rise in farm land prices are disappearing. It observed that:

"The overall prices of farm products have steadily risen to a new high and show every indication of going higher. The net return to farmers has increased to a point even beyond the figures preceding the late boom in the last war. We have thought that during this period certain deterrent factors would furnish all the necessary controls over inflation of farm land prices. Among them are shortage of labor, scarcity of farm machinery, congested transportation facilities, the overhang of institutionally-owned farm lands and the memory of disaster brought by the previous land boom.

"One by one, these deterring factors seem to have been eliminated or more than offset by increased farm commodity prices. The purchase of government securities for war purposes has taken a part of the increased income as has the rapid reduction of first farm mortgage indebtedness, but the farmers' demand deposits in country banks continues to accumulate to astonishingly large figures. There is reported throughout the whole country an increased turn-over of farm lands at increasing prices and the additional element of a considerable volume of purchasing by city people for investment or as a hedge against inflation."

Dividend Withholding Tax Established In Sweden

A withholding tax has been established in Sweden on dividends paid by corporations to stockholders not domiciled in the country or not having permanent residence there, according to the Department of Commerce.

The general tax rate is 20% of the dividend payment. Only 10% of the dividend paid residents of the United States is to be withheld in keeping with terms of a Convention between the United States and Sweden for avoiding double taxation signed in March, 1939.

Moody's Daily Commodity Index

Tuesday, Aug. 17	244.6
Wednesday, Aug. 18	244.8
Thursday, Aug. 19	245.2
Friday, Aug. 20	245.2
Saturday, Aug. 21	245.0
Monday, Aug. 23	245.7
Tuesday, Aug. 24	245.4
Two weeks ago, Aug. 10	245.1
Month ago, July 24	244.0
Year ago, Aug. 24	230.5
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

Daily Average Crude Oil Production For Week Ended Aug. 14, 1943 Increased 36,800 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 14, 1943, was 4,239,400 barrels, an increase of 36,800 barrels over the preceding week and 345,950 barrels per day in excess of that produced in the week ended Aug. 15, 1942. The current figure, however, is 185,200 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of August, 1943. Daily output for the four weeks ended Aug. 14, 1943 averaged 4,173,450 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,004,000 barrels of crude oil daily and produced 11,672,000 barrels of gasoline; 1,282,000 barrels of kerosine; 4,147,000 barrels of distillate fuel oil, and 8,158,000 barrels of residual fuel oil during the week ended Aug. 14, 1943; and had in storage at the end of that week 72,505,000 barrels of gasoline; 9,798,000 barrels of kerosine; 36,574,000 barrels of distillate fuel, and 66,448,000 barrels of residual fuel oils. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations August	*State Allowables Begin. Aug. 1	Actual Production Week Ended Aug. 14, 1943	Change from Previous Week	4 Weeks Ended Aug. 14, 1943	Week Ended Aug. 15, 1942
Oklahoma	347,000	358,000	†331,450	+ 1,550	331,200	376,750
Kansas	300,000	290,000	†306,200	+ 28,500	299,050	290,750
Nebraska	2,100	------	†1,950	— 50	2,100	3,400
Panhandle Texas			98,000	+ 7,700	92,250	94,750
North Texas			140,400	----	139,050	138,850
West Texas			258,400	----	252,000	221,650
East Central Texas			129,950	+ 150	128,950	94,900
East Texas			371,000	----	371,000	360,300
Southwest Texas			238,600	----	234,300	182,000
Coastal Texas			474,250	----	443,600	291,300
Total Texas	1,817,000	‡1,817,937	1,710,600	+ 7,850	1,661,150	1,383,750
North Louisiana			83,800	+ 200	84,250	96,850
Coastal Louisiana			268,500	----	266,250	235,750
Total Louisiana	356,300	380,300	352,300	+ 200	350,500	332,600
Arkansas	75,500	80,052	76,250	— 600	76,950	72,550
Mississippi	50,000		54,400	+ 6,000	52,550	77,700
Illinois	222,800		211,200	—15,800	218,100	255,000
Indiana	14,000		12,850	— 1,850	13,850	16,950
Eastern— Not incl. Ill., Ind. Ky.)	86,500		76,500	+ 2,300	77,050	86,350
Kentucky	25,000		23,000	— 700	23,700	10,900
Michigan	60,100		61,200	+ 5,800	57,550	63,100
Wyoming	98,000		101,000	— 350	99,700	87,700
Montana	23,300		21,400	— 50	21,300	23,200
Colorado	7,000		7,400	+ 500	7,200	6,700
New Mexico	110,000	110,000	104,000	----	104,000	73,450
Total East of Calif.	3,594,600		3,451,700	+ 33,300	3,395,950	3,160,850
California	830,000	§830,000	787,700	+ 3,500	777,500	732,600
Total United States	4,424,600		4,239,400	+ 36,800	4,173,450	3,893,450

*P.A.W. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline and allied products in May, 1943, as follows: Oklahoma, 26,600; Kansas, 5,100; Texas, 107,400; Louisiana, 18,400; Arkansas, 3,800; Illinois, 11,100; Eastern (not including Illinois, Indiana or Kentucky), 7,300; Kentucky, 2,600; Michigan, 100; Wyoming, 2,100; Montana, 300; New Mexico, 5,100; California, 45,300.

†Oklahoma, Kansas, Nebraska figures are for week ended 7 a.m. Aug. 12, 1943.

‡This is the net basic allowable as of Aug. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 15 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED AUG. 14, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	% Reporting	Crude Runs to Stills Daily Average	% Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	1,963	80.3	5,399	29,678	15,153	14,740
Appalachian—								
District No. 1	130	83.9	94	72.3	266	1,157	811	388
District No. 2	47	87.2	46	97.9	142	836	183	124
Ind., Ill., Ky.	824	85.2	723	87.7	2,628	14,445	5,871	3,267
Okla., Kans., Mo.	416	80.1	335	80.5	1,194	5,995	2,053	1,688
Rocky Mountain—								
District No. 3	8	26.9	8	100.0	24	44	5	30
District No. 4	139	57.7	90	64.7	293	1,416	364	653
California	817	89.9	745	91.2	1,726	18,934	12,134	45,558
Tot. U. S. B. of M. basis Aug. 14, 1943	4,825	86.4	4,004	83.0	11,672	†72,505	36,574	66,448
Tot. U. S. B. of M. basis Aug. 7, 1943	4,825	86.4	3,776	78.3	10,791	73,368	36,344	66,714
U. S. Bur. of Mines basis Aug. 15, 1942			3,724		11,039	79,190	40,499	77,368

*At the request of the Petroleum Administration for War. †Finished, 62,335,000 barrels; unfinished, 10,170,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,282,000 barrels of kerosine, 4,147,000 barrels of gas oil and distillate fuel oil and 8,158,000 barrels of residual fuel oil produced during the week ended Aug. 14, 1943, which compares with 1,021,000 barrels, 3,677,000 barrels and 7,850,000 barrels, respectively, in the preceding week and 1,206,000 barrels, 3,850,000 barrels and 6,875,000 barrels, respectively, in the week ended Aug. 15, 1942.

Note—Stocks of kerosine amounted to 9,798,000 barrels at Aug. 14, 1943, against 9,485,000 barrels a week earlier and 11,494,000 barrels a year before.

Wholesale Prices Declined 0.3% During Week Ended Aug. 14 Labor Dept. Finds

It was made known by the U. S. Department of Labor on Aug. 18 that during the week ended Aug. 14 sharp declines in prices for farm products and foods brought the general level of prices in primary markets down 0.3% to the lowest point reached in nearly six months. It is indicated that continued seasonal weakness in market prices for fruits and vegetables largely accounted for the decrease. The Bureau of Labor Statistics all-commodity index is now at 102.7% of the 1926 average, says the Labor Department's announcement, from which we also quote.

"Farm products and foods. Average prices for farm products declined 1.7% during the week with substantially lower quotations for cows and sheep and seasonally reduced prices for apples and potatoes in most markets except New York. Smaller price decreases were reported for the grains—corn, oats, wheat, and for wool. Prices continued to rise seasonally for eggs, as well as for hogs, cotton, lemons, and onions.

"Foods declined 1.4% as a result of the decrease in prices for fresh fruits and vegetables and a small drop in prices for wheat flour. Rye flour and dried peaches, on the other hand, advanced.

"Cattle feed prices were up 3.5% because of higher quotations for cottonseed meal.

"Industrial commodities. There were few changes in industrial commodity markets during the week. Prices for birch, maple, and hemlock lumber advanced about 10% as a result of Office of Price Administration action, and rosin rose 2.8%."

The Board's announcement contains the following notation:

Note: During the period of rapid changes caused by price control, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past 3 weeks, for July 17, 1943 and August 15, 1942, and the percentage changes from a week ago, a month ago, and a year ago.

(1926=100)

Commodity groups—	8-14 1943	8-7 1943	7-31 1943	7-17 1943	8-15 1942	Percentage changes to Aug. 14, 1943 from— 8-7 1943	7-17 1943	8-15 1942
All commodities	*102.7	*103.0	*102.8	*102.9	98.9	—0.3	—0.2	+ 3.8
Farm products	*122.9	*125.0	*124.3	*125.0	106.0	—1.7	—1.7	+ 15.9
Foods	105.1	106.6	106.4	106.5	100.5	—1.4	—1.3	+ 4.6
Hides and leather products	118.4	118.4	118.4	118.4	118.8	0	0	— 0.3
Textile products	96.9	96.9	96.9	96.9	96.5	0	0	+ 0.4
Fuel and lighting materials	81.7	81.6	81.6	81.6	79.7	+ 0.1	+ 0.1	+ 2.5
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	112.1	111.9	110.8	110.6	110.2	+ 0.2	+ 1.4	+ 1.7
Chemicals and allied products	100.2	100.1	100.1	100.1	96.3	+ 0.1	+ 0.1	+ 4.0
Housefurnishing goods	104.2	104.2	104.2	104.4	104.1	0	—0.2	+ 0.1
Miscellaneous commodities	92.4	92.2	92.1	91.6	89.0	+ 0.2	+ 0.9	+ 3.8
Raw materials	*112.3	*113.5	*113.0	*113.4	100.8	—1.1	—1.0	+ 11.4
Semimanufactured articles	92.8	92.7	92.7	92.7	92.6	+ 0.1	+ 0.1	+ 0.2
Manufactured products	*100.0	*99.9	*99.8	*99.6	99.1	+ 0.1	+ 0.4	+ 0.9
All commodities other than farm products	*98.4	*98.3	*98.2	*98.1	97.3	+ 0.1	+ 0.3	+ 1.1
All commodities other than farm products and foods	*97.3	*97.2	*97.1	*97.0	95.8	+ 0.1	+ 0.3	+ 1.6

*Preliminary.

In our item giving the Department's figures of wholesale prices for the week ending Aug. 7 it was inadvertently stated that that announcement was issued Aug. 19, whereas it was made available Aug. 12.

Civil Engineering Construction 31% Above Last Week

Civil engineering construction volume in continental U. S. totals $41,648,000 for the week. This volume, not including the construction by military combat engineers, American contracts outside the country, and shipbuilding, is 31% higher than in the preceding week, but is 82% lower than in the corresponding 1942 week as reported by "Engineering News-Record" on Aug. 19, which added:

Private construction gains 116% over last week, and public work is up 21% due to the 3% gain in state and municipal construction, and the 24% gain in federal work. Comparisons with a year ago reveal private construction 13% higher, and public down 85%.

The current week's volume brings 1943 construction to $2,183,450,000, an average of $66,165,000 for each of the 33 weeks of the period. On the weekly average basis, 1943 construction is 66% lower than the $6,702,099,000 for the 34-week period in 1942. Private construction, $272,217,000, is 35% lower than in 1942, and public work, $1,911,233,000, is down 69% when adjusted for the difference in the numbers of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	Aug. 20, '42	Aug. 12, '43	Aug. 19, '43
Total U. S. Construction	$230,706,000	$31,773,000	$41,648,000
Private Construction	6,482,000	3,379,000	7,320,000
Public Construction	224,224,000	28,394,000	34,328,000
State and Municipal	7,184,000	4,613,000	4,758,000
Federal	217,040,000	23,781,000	29,570,000

In the classified construction groups, all classes of work top their respective totals for a week ago; and bridges and industrial buildings gain over their 1942-week totals. Subtotals for the week in each class of construction are: waterworks, $1,232,000; sewerage, $1,083,000; bridges, $1,083,000; industrial buildings, $2,510,000; commercial building and large-scale private housing, $3,999,000; public buildings, $16,333,000; earthwork and drainage, $1,673,000; street and roads, $5,255,000; and unclassified construction, $8,480,000.

New capital for construction purposes for the week totals $585,000, and is made up of $498,000 in state and municipal bond sales, and $87,00 in corporate security issues.

New construction financing for the 33 weeks of 1943, $2,925,355,000 is down 68% compared with the $9,517,774,000 reported for the 34-week period a year ago.

Earnings, Man Hours, Payrolls At New Peaks In June; Conference Bd.

Earnings, man hours and payrolls rose to new peaks in June, according to the regular monthly survey of 25 manufacturing industries by The National Industrial Conference Board. Employment in these industries in that month, says the Board, was higher than in any previous month except March, 1943. The average work week was longer than any other since April, 1930, with the exception of May, 1943, according to the Board's advices made available Aug. 24, which further stated:

"In the 18 months since this country entered the war both hourly and weekly earnings have risen each month despite the influx of large numbers of lower-paid women workers during the second half of this period. In the first nine months, wage-rate increases and incentive payments contributed substantially to the higher earnings, as did double time for work on Sundays and holidays. During the second half of the period additional working hours with premium rates of pay were largely responsible.

"Since December, 1941, hourly earnings of all workers in the 25 manufacturing industries have advanced 17.1%. Since January, 1941, the base date for the Little Steel formula, the increase has been 33.9%. Weekly earnings have risen 27.8% since December, 1941, and 50.7% since January, 1941. 'Real' weekly earnings, or dollar weekly earnings adjusted for changes in the cost of living, were 14.5% higher in June than in December, 1941, and 24.6% higher than in January, 1941.

"Hourly earnings in June averaged $1.016 at which figure they were 0.7% higher than in May, 10.8% higher than in June, 1942, and 72.2% higher than in 1929. Weekly earnings in June averaged $46.12, or 0.4% higher than in May, 16.7% higher than in June, 1942, and 50.7% higher than in 1929. Hours worked per week, at 45.2, were 0.2% lower than in May, but 5.9% higher than in June, 1942 and only 6.4% lower than in 1929.

"Total man hours worked in June were 0.2 more than in May, and 16.8% more than in June, 1942. Payrolls were 0.8% above May, 28.8% above June, 1942, and 136.8% above 1929.

July Plane Output At New Record But Below Military Schedules

Airplane production for July set a new high record, on the basis of preliminary figures, with a gain of 4% in numbers over June production and 4% in weight, for a total production of 7,373 military airplanes, Donald M. Nelson, Chairman, and Charles F. Wilson, Executive Vice-Chairman, of the War Production Board, announced on Aug. 7.

Production of heavy bombers also set a new high record, with a gain of 13%.

In announcing these figures, the two WPB executives said:

"Airplane production needs to increase still faster and reach still higher totals if the schedules for our armed forces are to be met. Production of all military goods, including airplanes, has now reached a level at which additional gains can be made only by the most determined effort. The July record in aircraft production, while not up to the high schedules set, clearly shows that the trend is definitely upward. Nevertheless, it must be emphasized that a very hard, difficult job is still ahead of us that will call for all the effort we can muster."

Trading On New York Exchanges

The Securities and Exchange Commission made public on Aug. 20 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Aug. 7, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Aug. 7 (in round-lot transactions) totaled 1,643,331 shares, which amount was 16.06% of the total transactions on the Exchange of 5,117,930 shares. This compares with member trading during the week ended July 31 of 3,023,670 shares, or 16.98% of total trading of 8,903,940 shares. On the New York Curb Exchange, member trading during the week ended Aug. 7 amounted to 336,975 shares, or 16.60% of the total volume of that exchange of 1,014,795 shares; during the July 31 week trading for the account of Curb members of 490,885 shares was 16.2% of total trading of 1,515,140.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUG. 7, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	140,630	
‡Other sales	4,977,300	
Total sales	5,117,930	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	462,430	
Short sales	62,950	
‡Other sales	414,910	
Total sales	477,860	9.19
2. Other transactions initiated on the floor—		
Total purchases	202,340	
Short sales	23,900	
‡Other sales	206,240	
Total sales	230,140	4.23
3. Other transactions initiated off the floor—		
Total purchases	150,691	
Short sales	9,320	
‡Other sales	110,550	
Total sales	119,870	2.64
4. Total—		
Total purchases	815,461	
Short sales	96,170	
‡Other sales	731,700	
Total sales	827,870	16.06

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED AUG. 7, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	6,135	
‡Other sales	1,008,660	
Total sales	1,014,795	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	103,070	
Short sales	4,915	
‡Other sales	98,905	
Total sales	103,820	10.19
2. Other transactions initiated on the floor—		
Total purchases	37,135	
Short sales	200	
‡Other sales	35,670	
Total sales	35,870	3.60
3. Other transactions initiated off the floor—		
Total purchases	33,130	
Short sales	---	
‡Other sales	23,950	
Total sales	23,950	2.81
4. Total—		
Total purchases	173,335	
Short sales	5,115	
‡Other sales	158,525	
Total sales	163,640	16.60
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	27	
§Customers' other sales	39,547	
Total purchases	39,574	
Total sales	34,818	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Weekly Coal And Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Aug. 14, 1943 is estimated at 12,000,000 net tons, an increase of 200,000 tons, or 1.7%, over the preceding week. Output in the corresponding week of 1942 amounted to 11,374,000 tons. For the present year to Aug. 14, soft coal production was 1.3% in excess of that for the same period in 1942.

The U. S. Bureau of Mines estimated that the total production of Pennsylvania anthracite for the week ended Aug. 14, 1943 was 1,327,000 tons, an increase of 25,000 tons (1.9%) over the preceding week. When compared with the output in the corresponding week of 1942, there was an increase of 58,000 tons, or 4.6%. The calendar year 1943 to date shows a decrease of 0.4% when compared with the corresponding period of 1942.

The Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended Aug. 14, 1943 showed a decrease of 5,600 tons when compared with the output for the week ended Aug. 7, 1943. The quantity of coke from beehive ovens increased 1,100 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM

(In Net Tons—000 Omitted.)

	Week Ended			January 1to Date		
Bituminous coal and lignite—	Aug. 14, 1943	Aug. 7, 1943	Aug. 15, 1942	†Aug. 14, 1943	Aug. 15, 1942	Aug. 14, 1937
Total, incl. mine fuel	12,000	11,800	11,374	361,408	356,807	271,906
Daily average	2,000	1,967	1,896	1,882	1,873	1,428
*Crude petroeum—						
Coal equivalent of weekly output	6,791	6,732	6,237	205,024	195,774	177,964

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, Review of 1940, page 775.) †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§Aug. 14, 1943	¶Aug. 7, 1943	Aug. 15, 1942	Aug. 14, 1943	Aug. 15, 1942	Aug. 17, 1929
*Total incl. coll. fuel	1,327,000	1,302,000	1,269,000	37,468,000	37,608,000	42,958,000
†Commercial production	1,274,000	1,250,000	1,218,000	35,969,000	36,104,000	39,865,000
By-product coke—						
United States total	1,230,200	1,235,800	1,218,800	39,129,900	38,362,100	‡
Beehive coke—						
United States total	164,900	163,800	142,500	4,817,500	5,131,800	4,344,100

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					Aug. avge.
State—	Aug. 7, 1943	July 31, 1943	Aug. 8, 1942	Aug. 9, 1941	Aug. 7, 1937	¶1923
Alabama	374	390	366	335	253	397
Alaska	5	5	5	5	2	**
Arkansas and Oklahoma	63	88	84	77	59	81
Colorado	141	145	133	111	90	173
Georgia and North Carolina	1	1	1	††	††	**
Illinois	1,431	1,532	1,086	1,057	634	1,363
Indiana	506	527	466	392	235	440
Iowa	39	42	42	38	37	100
Kansas and Missouri	141	160	158	125	92	145
Kentucky—Eastern	919	1,008	933	930	667	765
Kentucky—Western	298	287	219	203	122	217
Maryland						
Michigan	36	34	39	37	27	44
Montana (bituminous and	3	5	3	††	7	21
lignite)						
New Mexico	89	98	76	50	42	50
North and South Dakota	39	36	33	21	28	49
(lignite)	32	39	25	21	19	**20
Ohio	659	639	715	630	346	871
Pennsylvania (bituminous)	2,917	2,941	2,817	2,826	2,015	3,734
Tennessee						
Texas (bituminous and lig-	134	133	136	137	96	118
nite)	2	3	8	7	19	24
Utah	109	113	118	85	46	83
Virginia	417	411	375	391	272	248
Washington	21	30	35	35	30	47
*West Virginia—Southern	2,239	2,334	2,158	2,302	1,764	1,515
†West Virginia—Northern	1,006	999	911	858	481	875
Wyoming	158	170	143	110	95	154
‡Other Western States	1	††	††	††	††	**4
Total bituminous and lignite	11,800	12,170	11,090	10,783	7,478	11,538
§Pennsylvania anthracite	1,302	1,377	1,227	1,335	511	1,926
Total all coal	13,102	13,547	12,317	12,118	7,989	13,464

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

National Fertilizer Association Commodity Price Index Continues To Advance

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Aug. 3 last week continued to advance slightly. Rising for the third consecutive time, this index in the week ended Aug. 21, 1943, stood at 135.1, based on the 1935-1939 average as 100; it was 135.0 in the preceding week, 134.6 a month ago, and 129.0 a year ago. The Association's report added:

Prices of farm products were generally higher during the week with 10 items included in the group advancing and only 2 declining.

Grain and livestock prices moved upward causing the farm products group to advance, while falling quotations for potatoes caused a fractional decline in the foods group. Lower cotton prices were reflected in the decline of the textiles index. All other groups remained unchanged with the exception of the miscellaneous group which rose slightly because of rising prices for cottonseed meal.

During the week 11 price series advanced and 4 declined; in the preceding week it was 6 and 8; and in the second preceding week 11 and 3.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Aug. 21, 1943	Preceding Week Aug. 14, 1943	Month Ago July 24, 1943	Year Ago Aug. 22, 1942
25.3	Foods	138.5	138.6	137.8	129.7
	Fats and Oils	145.6	145.6	145.1	141.2
	Cottonseed Oil	160.7	160.7	159.0	158.4
23.0	Farm Products	154.9	154.4	152.3	140.0
	Cotton	192.7	195.9	198.1	178.0
	Grains	146.8	145.0	144.5	112.2
	Livestock	151.2	150.3	146.2	140.4
17.3	Fuels	122.8	122.8	122.8	118.8
10.8	Miscellaneous commodities	131.0	130.2	130.1	126.8
8.2	Textiles	150.1	150.6	150.9	147.4
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.5	152.5	152.6	151.5
1.3	Chemicals and drugs	126.6	126.6	126.6	120.7
.3	Fertilizer materials	117.7	117.7	117.7	117.8
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.1	104.1	104.1	104.1
100.0	All groups combined	135.1	135.0	134.6	129.0

*Indexes on 1926-1928 base were Aug. 21, 1943, 105.2; Aug. 14, 105.1; and Aug. 22, 1942, 100.5.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Aug. 20 a summary for the week ended Aug. 14 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Aug. 14, 1943

	Total for Week
Odd-Lot Sales by Dealers: (Customers' purchases)	
Number of Orders	13,847
Number of Shares	376,665
Dollar Value	14,196,905
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	144
*Customers' other sales	12,527
Customers' total sales	12,671
Number of Shares:	
Customers' short sales	4,838
*Customers' other sales	317,314
Customers' total sales	322,152
Dollar Value	11,086,231
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	70,320
Total sales	70,350
Round-Lot Purchases by Dealers—	
Number of shares	135,140

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

July Living Cost Down 1.2%

Living costs of wage earners and lower-salaried clerical workers in the United States in July reversed their trend with a decline of 1.2%, according to the National Industrial Conference Board.

The Board's announcement further said:

"Food prices, which long led the upward movement, declined 2.9% in July. Housing and fuel and light remained unchanged. Clothing rose 0.2% and sundries 0.1%.

"The Board's index of the cost of living (1923=100) stood at 103.1 in July as compared with 104.3 (revised) in June and 97.8 in July, 1942.

"The level of costs was 5.4% higher than that of a year ago. Food showed the greatest advance over July, 1942, with an increase of 12.3%. Other advances during the twelve months were: sundries, 2.4%; fuel and light, 2.2%; and clothing, 0.9%. Housing remained unchanged.

"The purchasing power of the dollar, on the basis of 100 cents to the dollar in 1923, which amounted to 95.9 cents in June, rose to 97.0 cents in July. It stood at 102.2 cents in July, 1942."

Ecuador Considers Reduc'g Exch. Rate To Halt Prices

Efforts by the Government of Ecuador to control prices of foodstuffs and other essential commodities have not been very successful and speculation continued, in the early part of the year, according to the Department of Commerce.

Lowering of the exchange rate from 13.70 sucres to 12 sucres to the dollar is one of the plans being considered to reduce the cost of imported goods.

Such action, it is believed, would enable Ecuador to employ the present abundance of dollar exchange to improve the position of the sucre.

Dollar balances continue to grow as the result of United States loans to and expenditures in Ecuador.

Revenue Freight Car Loadings During Week Ended August 14, 1943 Increased 15,088 Cars

Loading of revenue freight for the week ended Aug. 14, 1943 totaled 887,165 cars, the Association of American Railroads announced on Aug. 19. This was an increase above the corresponding week of 1942 of 18,320 cars, or 2.1%, but a decrease below the same week in 1941, of 3,172 cars or 0.4%.

Loading of revenue freight for the week of Aug. 14, increased 15,088 cars, or 1.7% above the preceding week.

Miscellaneous freight loading totaled 384,987 cars, an increase of 7,042 cars above the preceding week, but a decrease of 11,941 cars below the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 100,625 cars, an increase of 1,651 cars above the preceding week, and an increase of 10,630 cars above the corresponding week in 1942.

Coal loading amounted to 177,027 cars, an increase of 3,893 cars above the preceding week, and an increase of 9,982 cars above the corresponding week in 1942.

Grain and grain products loaded totaled 57,398 cars, a decrease of 512 cars below the preceding week, but an increase of 12,714 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Aug. 14, totaled 41,691 cars, a decrease of 500 cars below the preceding week but an increase of 11,114 cars above the corresponding week in 1942.

Live stock loading amounted to 14,988 cars, an increase of 839 cars above the preceding week, and an increase of 1,509 cars above the corresponding week in 1942. In the Western District alone, loading of live stock for the week of Aug. 14, totaled 10,962 cars, an increase of 821 cars above the preceding week, and an increase of 966 cars above the corresponding week in 1942.

Forest products loading totaled 49,085 cars, an increase of 1,495 cars above the preceding week but a decrease of 5,512 cars below the corresponding week in 1942.

Ore loading amounted to 88,670 cars, an increase of 622 cars above the preceding week and an increase of 246 cars above the corresponding week in 1942.

Coke loading amounted to 14,385 cars, an increase of 58 cars above the preceding week, and an increase of 692 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding week in 1942, except the Southern and Northwestern but all districts reported decreases compared with 1941 except the Central-western and Southwestern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510,057
5 weeks of July	4,307,406	4,185,135	4,295,457
Week of Aug. 7	872,077	850,221	878,505
Week of Aug. 14	887,165	868,845	890,337
Total	26,163,670	26,967,602	25,915,031

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug 14, 1943. During this period 65 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS)—WEEK ENDED AUG. 14

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	253	338	582	1,639	1,297
Bangor & Aroostook	776	836	981	255	163
Boston & Maine	6,617	6,052	8,789	15,328	13,811
Chicago, Indianapolis & Louisville	1,382	1,534	1,549	2,163	2,009
Central Indiana	29	26	18	52	69
Central Vermont	1,315	965	1,501	2,659	2,403
Delaware & Hudson	6,674	6,399	7,315	11,457	11,058
Delaware, Lackawanna & Western	7,869	7,540	10,315	11,302	10,453
Detroit & Mackinac	187	329	324	102	130
Detroit, Toledo & Ironton	2,232	1,702	2,147	1,134	1,282
Detroit & Toledo Shore Line	326	319	316	2,493	2,768
Erie	13,622	12,704	16,005	18,305	16,037
Grand Trunk Western	3,706	4,269	4,745	8,273	8,102
Lehigh & Hudson River	184	186	171	2,983	3,268
Lehigh & New England	2,076	2,130	2,410	1,683	2,202
Lehigh Valley	8,777	9,205	9,941	14,822	14,334
Maine Central	2,381	2,264	3,293	2,359	2,281
Monongahela	6,098	6,173	6,435	458	353
Montour	2,369	2,365	2,534	211	40
New York Central Lines	57,206	48,364	51,156	57,463	54,611
N. Y., N. H. & Hartford	9,766	9,600	12,064	18,344	19,773
New York, Ontario & Western	1,335	1,149	1,227	2,311	2,507
New York, Chicago & St. Louis	7,478	8,094	6,863	15,391	15.747
N. Y., Susquehanna & Western	561	188	558	2,269	1,290
Pittsburgh & Lake Erie	7,685	8,280	8,521	8,619	8,730
Pere Marquette	4,908	5,247	5,596	7,905	6,331
Pittsburg & Shawmut	899	774	665	17	12
Pittsburg, Shawmut & North	398	390	479	262	253
Pittsburgh & West Virginia	1,123	1,195	1,192	2,776	3,593
Rutland	326	366	575	1,053	932
Wabash	5,819	6,017	6,372	12,784	12,903
Wheeling & Lake Erie	5,144	6,324	5,503	5,274	5,061
Total	169,521	161,324	180,142	232,146	223,803
Allegheny District—					
Akron, Canton & Youngstown	788	658	827	1,153	1,042
Baltimore & Ohio	43,024	41,777	41,861	30,604	25,845
Bessemer & Lake Erie	6,021	7,014	5,844	1,905	2,858
Buffalo Creek & Gauley	268	271	300	3	3
Cambria & Indiana	1,833	1,978	1,935	12	17
Central R. R. of New Jersey	7,517	7,099	8,038	20,918	20,060
Cornwall	667	612	666	40	40
Cumberland & Pennsylvania	233	266	270	19	15
Ligonier Valley	136	137	138	49	36
Long Island	1,707	855	1,071	3,990	3,109
Penn-Reading Seashore Lines	1,976	1,932	2,036	3,008	2,311
Pennsylvania System	88,471	82,940	90,174	65,545	65,540
Reading Co.	15,733	14,425	17,147	26,388	28,902
Union (Pittsburgh)	21,528	20,795	19,718	7,186	7,847
Western Maryland	4,090	4,200	4,172	11,950	13,628
Total	193,992	184,959	194,197	172,770	171,253
Pocahontas District—					
Chesapeake & Ohio	28,990	28,922	29,970	14,180	12,446
Norfolk & Western	22,836	22,865	25,089	6,939	6,524
Virginian	4,864	4,646	5,084	2,337	2,373
Total	56,690	56,433	60,143	23,456	21,343
Southern District—					
Alabama, Tennessee & Northern	271	350	421	388	374
Atl. & W. P.—W. R. R. of Ala.	642	667	816	2,667	2,920
Atlanta, Birmingham & Coast	867	921	928	1,189	1,085
Atlantic Coast Line	11,303	11,100	10,941	10,257	9,576
Central of Georgia	3,711	3,738	4,577	4,662	4,158
Charleston & Western Carolina	435	318	455	1,573	1,551
Clinchfield	1,727	1,745	1,871	2,815	2,851
Columbus & Greenville	286	464	271	159	216
Durham & Southern	83	107	170	672	745
Florida East Coast	1,409	906	430	1,512	1,511
Gainesville Midland	45	48	38	76	71
Georgia	1,153	1,337	1,196	3,211	2,599
Georgia & Florida	646	692	715	465	641
Gulf, Mobile & Ohio	3,936	4,415	4,031	4,661	4,879
Illinois Central System	28,573	26,988	25,626	17,483	17,645
Louisville & Nashville	24,774	25,597	26,330	11,823	10,609
Macon, Dublin & Savannah	250	188	215	621	636
Mississippi Central	245	186	175	441	615
Nashville, Chattanooga & St. L.	3,078	3,166	3,542	4,863	4,403
Norfolk Southern	937	957	1,177	1,480	2,077
Piedmont Northern	333	301	495	1,156	1,163
Richmond, Fred. & Potomac	415	434	441	9,546	7,915
Seaboard Air Line	10,000	9,843	10,443	7,937	8,039
Southern System	21,540	23,896	24,733	22,662	22,757
Tennessee Central	534	580	549	805	921
Winston-Salem Southbound	135	104	152	1,133	962
Total	117,328	119,048	120,738	114,257	110,655
Northwestern District—					
Chicago & North Western	21,486	23,151	23,165	14,716	13,545
Chicago Great Western	2,903	2,248	2,882	3,174	3,391
Chicago, Milw., St. P. & Pac.	21,157	20,836	24,127	10,574	10,339
Chicago, St. Paul, Minn. & Omaha	4,792	4,112	4,367	3,948	4,293
Duluth, Missabe & Iron Range	30,582	29,496	36,761	312	313
Duluth, South Shore & Atlantic	992	1,458	1,654	569	825
Elgin, Joliet & Eastern	8,038	10,013	10,517	10,522	10,119
Ft. Dodge, Des Moines & South	455	561	538	116	149
Great Northern	25,514	28,776	27,072	5,659	5,383
Green Bay & Western	389	497	574	1,175	770
Lake Superior & Ishpeming	3,149	1,916	3,229	31	47
Minneapolis & St. Louis	1,981	2,475	2,315	2,191	2,217
Minn., St. Paul & S. S. M.	8,450	7,296	8,047	2,682	3,225
Spokane International	11,957	11,637	11,874	5,299	4,873
Northern Pacific	187	242	274	696	685
Spokane, Portland & Seattle	2,890	2,755	3,087	2,382	2,991
Total	144,922	147,519	150,483	64,046	63,165
Central Western District—					
Atch., Top. & Santa Fe System	21,714	22,407	22,331	11,859	11,643
Alton	3,768	3,640	3,346	4,288	4,657
Bingham & Garfield	493	586	585	77	94
Chicago, Burlington & Quincy	20,860	19,855	18,497	11,640	11,359
Chicago & Illinois Midland	3,190	2,487	2,940	929	942
Chicago, Rock Island & Pacific	12,960	12,417	13,617	12,475	11,299
Chicago & Eastern Illinois	2,630	2,492	2,829	5,847	4,167
Colorado & Southern	953	855	850	2,034	1,822
Denver & Rio Grande Western	4,234	4,072	3,823	6,955	5,771
Denver & Salt Lake	761	666	682	25	35
Fort Worth & Denver City	1,334	1,313	1,136	1,849	1,457
Illinois Terminal	1,903	1,755	2,102	2,249	2,892
Missouri-Illinois	1,195	1,315	1,089*	575	426
Nevada Northern	1,987	2,037	1,923	83	126
North Western Pacific	1,291	1,233	1,355	1,041	684
Peoria & Pekin Union	21	17	24	---	---
Southern Pacific (Pacific)	34,053	31,111	31,148	13,583	10,273
Toledo, Peoria & Western	335	343	333	1,751	1,808
Union Pacific System	15,747	15,985	16,828	17,257	15,030
Utah	610	624	503	2	5
Western Pacific	2,254	2,358	2,073	4,709	4,072
Total	132,293	127,568	128,014	99,228	88,562
Southwestern District—					
Burlington-Rock Island	532	945	176	207	141
Gulf Coast Lines	5,426	4,666	3,133	3,128	2,326
International-Great Northern	2,202	3,029	2,166	3,454	2,721
Kansas, Oklahoma & Gulf	328	345	223	1,128	1,057
Kansas City Southern	5,747	4,826	2,772	2,995	2,938
Louisiana & Arkansas	3,283	4,384	2,501	2,892	2,349
Litchfield & Madison	396	292	326	1,425	1,163
Midland Valley	781	683	844	359	196
Missouri & Arkansas	150	170	172	468	358
Missouri-Kansas-Texas Lines	5,902	5,750	4,592	5,290	4,678
Missouri Pacific	17,265	17,245	16,654	19,575	20,278
Quanah Acme & Pacific	55	86	144	318	184
St. Louis-San Francisco	8,685	9,380	8,567	10,420	7,683
St. Louis Southwestern	2,713	2,789	2,624	7,528	6,271
Texas & New Orleans	13,794	12,500	7,735	5,550	4,885
Texas & Pacific	5,049	4,807	3,824	6,088	7,168
Wichita Falls & Southern	86	121	148	46	35
Weatherford M. W. & N. W.	25	26	19	29	30
Total	72,419	71,994	56,620	70,900	64,462

Note—Previous year's figures revised. *Previous week's figures.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
May 1	147,212	135,924	525,287	89	92
May 8	165,871	153,934	522,336	96	92
May 15	177,968	151,653	561,571	96	93
May 22	142,673	152,960	548,911	96	93
May 29	151,308	150,504	545,673	95	93
Jun. 5	168,051	141,337	565,291	92	93
Jun. 12	172,437	149,675	586,183	97	93
Jun. 19	136,166	142,865	561,945	95	93
Jun. 26	133,808	145,324	547,301	96	93
July 3	179,835	144,232	580,683	92	93
July 10	111,912	100,115	573,342	69	93
July 17	151,993	140,803	587,181	91	93
July 24	136,881	148,852	572,786	97	93
July 31	153,646	150,337	571,705	97	93
Aug. 7	177,541	146,515	600,338	94	93
Aug. 14	143,629	154,747	586,901	98	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Market Transactions In Govts. For July

During the month of July, 1943, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $67,757,200, Secretary Morgenthau announced on Aug. 16. This compares with net sales of $145,768,000 in June.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:

1941—		
July	No sales or purchases	
August	No sales or purchases	
September	$2,500	sold
October	200,000	sold
November	No sales or purchases	
December	$60,004,000	purchased
1942—		
January	$520,700	sold
February	29,980,000	purchased
March	5,814,450	purchased
April	300,000	purchased
May	16,625	purchased
June	250,000	sold
July	2,295,000	sold
August	8,446,000	sold
September	4,500 000	sold
October	1,000,800	sold
November	No sales or purchases	
December	No sales or purchases	
1943—		
January	$14,500,000	sold
February	90,300,000	sold
March	72,927,750	sold
April	400,000	purchased
May	35,200,000	sold
June	145,768,000	sold
July	67,757,200	sold

Lumber Movement—Week Ended Aug. 14, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 471 mills reporting to the National Lumber Trade Barometer were 2.2% below production for the week ended Aug. 14, 1943. In the same week new orders of these mills were 11.7% less than production. Unfilled order files in the reporting mills amounted to 103% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 9.4%; orders by 11.7%.

Compared to the average corresponding week of 1935-39 production of reporting mills was 23.9% greater; shipments were 30.4% greater, and orders were 16.2% greater.

New Dwelling Units Increased In July

Contracts were let in July for 21,924 new family dwelling units in the 37 eastern states, according to F. W. Dodge Corporation on Aug. 19. This figure compares with 15,750 in the preceding month and 18,420 in July, 1942. Total residential building, including military barracks and accommodations for single men in temporary type dormitories in war production centers. amounted to $71,836,000 in July, $61,508,000 in June and $127,382,000 in July, 1942. The Dodge report also said:

Non-residential building, with a total value of $61,840,000, ran 35% below June and 87% behind July a year ago when manufacturing plant contract-letting was at its height. Of the $489,066,000 recorded in July, 1942, 82% was for manufacturing plants and closely related types of projects.

Heavy engineering work in July, amounting to $49,985,000 also declined from the $73,257,000 registered in the preceding month and from the high figure of $327,348,000 attained in July last year.

During the first seven months this year, total construction contracts amounted to $2,034,933,000. This is a decline of 56% from the corresponding period of 1942.

Items About Banks, Trust Companies

At the regular meeting of the Board of Directors of The National City Bank of New York on Aug. 24, Leo D. Welch, Supervisor of National City's Argentine branches, was appointed a Vice-President. Mr. Welch was born in Rochester, N. Y., and graduated from the University of Rochester in the Class of 1919. He has been a member of the National City staff for 24 years, having entered the College Training Class in 1916. His original foreign assignment was to the Buenos Aires branch, and was later transferred to Chile where he was successively Manager and Supervisor until 1934. At that time he went back to Buenos Aires as Supervisor of the River Plate branches. Mr. Welch is a former Director of Banco Central de Chile, former Director of Banco Central de la Republica Argentina, and President Corporacion Para la Promocion del Intercambio (Argentine Trade Corporation). During his residence in the Argentine he has become prominently identified with banking and civic affairs.

At the close of business on Aug. 31, the Marine Midland Trust Company of New York will discontinue its Yorkville Office at 207 East 86th Street, New York, and it has made an arrangement with Manufacturers Trust Co. whereby the latter institution will take over the business and transfer it to its Yorkville Office at 1511 Third Avenue, corner of 85th Street. Simultaneously, the Yorkville Branch of Fidelity Safe Deposit Company of New York, safe deposit affiliate of the Marine Midland Trust Co., will also be discontinued, and its business taken over by the Yorkville Office of Manufacturers Safe Deposit Co. The Yorkville Office of Manufacturers Trust Company is one of the oldest banks in Yorkville, having been established in 1892 as the Yorkville Bank. It was merged into and became part of Manufacturers Trust Co. in 1925. Edward J. Korbel, Assistant Vice-President, is in charge.

The most striking feature of the branch bank that Manufacturers Trust Company opened on Aug. 18 in the Brooklyn Navy Yard, is its portability. By means of cranes, the entire structure can be lifted and transported to any part of the Yard in order to accommodate the tens of thousands of Navy Yard employees. Matthew McKenney, Jr., is in charge of the branch. At the present time, it is open every Wednesday, Thursday and Friday, as well as on the 5th and 20th days of the month, from 4 p.m. to 7 p.m. for the cashing of checks for Navy Yard workers and Navy personnel, and for the performance of other limited banking functions. This is the first of several offices which Manufacturers Trust Company will establish in the Brooklyn Navy Yard for the convenience of the vast number of people employed on the premises. Reference to the opening of the company's Navy Yard branch appeared in our Aug. 19 issue, page 724.

James T. Lee, President of Central Savings Bank of New York, announced on Aug. 19 that John O. Dornbusch had been elected to the office of Vice-President. The election took place at the meeting of the Board of Trustees on Aug. 18. Mr. Dornbusch, a native New Yorker, joined the staff of the bank in 1936 as Manager of the Insurance Department, ending a 20-year association with the Mutual Life Insurance Company of New York. In 1938, Mr. Dornbusch, while retaining the position of Manager of the Insurance Department of Central Savings Bank, also became Manager of Advertising and Business Development. In January, 1940, he was appointed Assistant Vice-President.

Frank H. Neher, Vice-President of the Flintkote Co., has been elected a director of the Morris Plan Industrial Bank of New York.

The Dry Dock Savings Institution of New York City has announced the election to its Board of Trustees of Thurman Lee, President of Duff & Conger, Inc., real estate brokers.

The election of Lloyd F. Dempsey as Secretary of the Dollar Savings Bank, Bronx, N. Y., has been announced by the Board of Trustees. Mr. Dempsey succeeds August J. Dippel, who recently retired after 38 years of service with the institution, of which nearly 20 years were spent as Secretary.

George H. Frew, a former branch manager for the Corn Exchange Bank Trust Co., New York City, died on Aug. 15 at his home in Palisade, N. J. He was 85 years old. Mr. Frew was a brother of the late Walter E. Frew, Chairman of the Board of the bank.

William Edwin Dobbin, President of the International Trust Corporation, organized to liquidate the International Trust Co. of New York, died on Aug. 21, according to South Nyack, N. Y., advices to the New York "Herald Tribune," which said he was 68 years old. Mr. Dobbin had been a banker in New York for 40 years. He was a former Vice-President of the Continental Bank and Trust Company of New York and earlier in his career served a number of years with the old Fifth Avenue National Bank. During the setting up of the Federal Housing Commission in the New York area in 1937 he was an assistant to Julian Gerard, director of Region 1.

The Security Trust Co. of Rochester (N. Y.) has received approval from the State Banking Department to increase its capital stock from $600,000, consisting of 6,000 shares of the par value of $100 each, to $1,200,000, consisting of 48,000 shares of the par value of $25 each.

Plans for the increase were noted in these columns June 24, page 2396.

More than 950,000 accounts, representing deposits of more than $756,000,000 in 61 mutual savings banks of Connecticut, are now fully insured under the Savings Banks Deposit Guaranty Fund of Connecticut, a voluntary association incorporated by the last session of the General Assembly.

In reporting this, a Hartford dispatch of Aug. 16 to the New York "Journal of Commerce" said:

Connecticut savings banks own deposit insurance fund is launched with capital of $6,600,000 and will be increased in the next two years by $5,500,000 and thereafter by payment of annual assessments equivalent to one twenty-fifth of 1% on total deposits of member banks. Five more banks are expected to join and only four mutual savings banks of Connecticut will not be affiliated.

Following the monthly meeting of the Board of Directors of Citizens National Trust & Savings Bank of Los Angeles, it was announced on Aug. 17 by President H. D. Ivey that six officers of the bank had been promoted to new posts. Norman E. Mudge was elected to the office of Vice-President and Trust Officer, filling the vacancy left by the recent passing of Carl P. Smith. Mr. Mudge started with the bank as a messenger in 1922; was made Assistant Secretary of the trust department in 1926, and has served as Assistant Trust Officer since 1939.

Frank D. LeBold was elected Vice-President. He joined the Hill Street office of the bank in 1921 as Assistant Cashier and manager of the foreign department, and was made Junior Vice-President in 1929.

F. Miles Flint and Norvald T. Ulvestad, Assistant Secretaries of the trust department, were advanced to Assistant Trust Officers, and will serve in both capacities. Mr. Flint joined the trust department staff in 1932, and was made Assistant Secretary in 1939. Mr. Ulvestad started with the bank's escrow department in 1929, and was made Assistant Secretary in 1940.

Albert H. Jehl, manager of the bank's Central Manufacturing District branch, was elected a Junior Vice-President, and will continue in charge of that office. He started as a messenger in 1917, and has had wide experience throughout the branches.

Charles R. Pearman was advanced from Assistant Manager to Manager of the Central Manufacturing District branch. He has been associated with the bank since 1922, when he joined the staff as bookkeeper.

In reporting changes in State bank membership, the Board of Governors in their announcement for the week ended Aug. 14 stated:

"Nevada Bank of Commerce, Elko, Nev., a State member bank, absorbed Lander County Bank, Austin, Nev., and Battle Mountain State Bank, Battle Mountain, Nev., insured non-member banks. In connection with the absorptions branches were established at Austin and Battle Mountain on July 31 and Aug. 6, respectively."

Insurance Companies To Play Important Part In War Loan Drive

The importance of the role the insurance comnanies will play in the forthcoming Third War Loan drive, due to the special funding arrangement recently announced by Secretary Morgenthau, was further accentuated by the appointment of LeRoy Whitelaw, Assistant Superintendent of the Prudential Life Insurance Company, of Newark, N. J., to an advisory council to assist in the training of a force of 50,000 war bond salesmen to take the field Sept. 9, official opening date of the canvass. The announcement in the matter Aug. 20 from the War Finance Committee for New York State adds:

"The advisory council was formed by the National Society of Sales Training Executives to cooperate with the sales training program of the New York State War Finance Committee. Its roster was announced by Walter A. Johnson, director of the Community Sales Division of the committee, as follows: William Rados, Educational Director, Stagg-Finch Distillers Corp., Chairman; R. C. Cathcart, Educational Director, Texas Company; A. A. Hood, Director of Trade Relations, Johns-Manville Sales Corp.; R. H. Moulton, Personnel Director, General Foods Sales Corp.; Ray Horan, Director of Education, Oil Heat Institute; LeRoy Kurtz, Department of Public Relations, General Motors Export Corp., and Mr. Whitelaw.

"Mr. Morgenthau's concession to the life insurance companies, whereby they may subscribe during the drive to 2½ and 2% bonds in anticipation of funds which will be available to them for investment up to Nov. 1, permitting them to defer payments accordingly, is expected by Treasury authorities to add a considerable windfall to the totals derived."

ABA War Meeting To Hear International Speakers; Program For Sessions Is Announced

The War Service Meeting of the American Bankers' Association which will open in New York City on Sept. 13, and conclude Sept. 15, will have for its triple theme war finance and the domestic economy, inter-American fiscal policy, and international fiscal policy, which has drawn into the program a score of speakers from North America, Central America, and England. Outstanding among the topics to be discussed by speakers of national and international prominence are those which deal with the post-war period and the role that the banks may play in the future.

Throughout the two-and-a-half days during which the meeting will be held, the programs arranged for the general sessions and annual meetings of the Association's divisions will emphasize the economic aspects of the war and the war functions and services of banks.

Annual meetings of the Association's committees and commissions will be held on Sunday, Sept. 12, prior to the opening of the formal sessions. Earlier reference to the meeting appeared in our issue of Aug. 5, page 523, in which we referred to featured sjeakers as then made known. The details of the meeting as contained in the substantially complete program announced by the Association on Aug. 18 follow:

First General Session, Morning, Sept. 14—The Domestic Economy.

Call to Order—President W. L. Hemingway, President, Mercantile-Commerce Bank and Trust Co., St. Louis.

Invocation—The Right Reverend Logan H. Roots, former Bishop of Hankow, China.

Appointment of Resolutions Committee.

Address—"Agricultural Credit," C. W. Bailey, President First National Bank, Clarksville, Tenn.

Address—"A Report and Critique on War Financing," Robert Strickland, President Trust Company of Georgia, Atlanta, Ga.

Communications and Announcements.

Second General Session, Afternoon, Sept. 14—Inter-American Fiscal Policy.

Call to Order—President W. L. Hemingway.

Communications and Announcements.

Address — Luis G. Legorreta, President, Mexican Bankers Association, Gen. Mgr. Banco Nacional de Mexico, S. A., Mexico City, Mexico.

Address—Joseph C. Rovensky, Vice President The Chase National Bank, New York City.

Address—"Canadian Banks in the War," Sydney G. Dobson, Vice President and General Manager of the Royal Bank of Canada.

Unfinished Business, New Business, Report of Nominating Committee.

Third General Session, Morning, Sept. 15—International Fiscal Policy.

Call to Order—President W. L. Hemingway.

Communications and Announcements.

Address—Dr. Henry Merritt Wriston, President Brown University.

Address — "Postwar Financial and Economic Problems," Robert Henry Brand, London, Eng., Managing Director, Lazard Brothers & Co.; Chairman of the Board North British and Mercantile Insurance Co., Ltd.

Report of the Resolutions Committee, Inauguration of Officers, Adjournment.

National Bank Division, Morning Sept. 13—Call to Order—President S. A. Phillips, Vice-President, First National Bank, Louisville, Ky.

Address of the President—Mr. Phillips.

Appointment of Committees.

Address — "Local Employment of Funds," Clyde D. Harris, President, First National Bank, Cape Girardeau, Mo.

Address—"The National Banking System," C. B. Upham, Deputy Comptroller of the Currency, Washington, D. C.

Address—Dr. Marcus Nadler, Assistant Director Institute of International Finance, New York University.

Unfinished Business, New Business, Reports of Committees, Election and Installation of Officers.

Trust Division, Sept. 13.

Call to Order—President Louis S. Headley, Vice-President, First Trust Co. of Saint Paul State Bank, Saint Paul, Minn.

Opening Address—F. W. Doty, President Corporate Fiduciaries Association of New York City; Vice President and Trust Officer, Commercial National Bank & Trust Co., New York City.

Address — "Who Will Be the Trustee?" President Louis S. Headley.

Address — "Trust Investment Policies for the Post-war Period," O. M. W. Sprague, Professor of Banking and Finance, Harvard University.

Unfinished Business, New Business, Election and Installation of Officers.

State Bank Division, Sept. 13.

Call to Order—President Frank P. Powers, President, Kanabec State Bank, Mora, Minn.

Address—"Small Banks After the War," W. W. McEachern, President Union Trust Co., St. Petersburg, Fla.

Address—"Competition of Government Credit Agencies," Claude F. Pack, President Home State Bank, Kansas City, Kan.

Address—"Bank Small Loan Enabling Legislation," Richard W. Trefz, President Beatrice State Bank, Beatrice, Neb.

Unfinished Business, New Business, Election and Installation of Officers.

Savings Division, Sept. 13.

Call to Order—President W. W. Slocum, President The United Savings Bank, Detroit, Mich.

Address — "Savings and Economic Security," Dr. Harold G. Moulton, President The Brookings Institution, Washington, D. C.

Address—"The Wartime Savings Program of a Country Bank," R. N. Downie, President The Fidelity State Bank, Garden City, Kansas.

Address — "Making Savers of Prospective Home Owners," Charles W. Green, Franklin Square National Bank, Franklin Square, Pa.

Question and Discussion Hour—Led by Levi P. Smith, President Burlington Savings Bank, Burlington, Vt.

Business Session — Report of the President, Election and Installation of Officers.

State Secretaries Section.

Executive Session — Thoughout Monday, Sept. 13.

Wales With Treasury Dept.

The Treasury Department announced on Aug. 19 the appointment of Robert W. Wales as Assistant Tax Legislative Counsel. Since January, 1942, Mr. Wales has been an Assistant General Counsel for the Office of Price Administration. Prior to that time he practiced law in Chicago for more than ten years with the firm of Miller, Gorham, Westcott & Adams, devoting most of his time to tax matters. He also served as law clerk to the late Mr. Justice Holmes.